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Corporate Responsibility Report 2023

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About this report

Sustainability is a central component of the Telefónica Deutschland Group's business mindset and activities. This CR Report presents the key information regarding the Telefónica Deutschland Group's sustainability activities. It is aimed at the company's stakeholders such as the customers, employees, business partners, investors, policymakers, academia, non-governmental organisations (NGOs) and the interested public.

Reporting period and report boundary

This CR Report contains information pertaining to the Telefónica Deutschland Group and Telefónica Deutschland Holding AG. This CR Report covers the financial year from 1 January to 31 December 2023. The report also contains information regarding relevant sustainability activities that extend beyond this period into other financial years. All figures were, unless otherwise indicated, ascertained on 31 December 2023. The quantitative key figures given in the report principally relate to the Telefónica Deutschland Group in the financial year 2023. This includes all the companies wholly owned by Telefónica Germany GmbH & Co. OHG. Deviating key figures are marked accordingly.

The copy deadline for the CR Report was 28 February 2024. This report was published in April 2024 in German and English on the company website: www.telefonica.de/sustainability

Comprehensive reporting in accordance with the GRI Standards and the UNGC principles as well as alignment with the CSRD

This sustainability report is prepared in accordance with the 2021 Global Reporting Initiative (GRI) standards (see "ESG data and indices" and "GRI content index") and is already in line with the ESG structure of the European Sustainability Reporting Standards (ESRS 1 General requirements) of the Corporate Sustainability Reporting Directive (CSRD), the Sustainability Accounting Standards Board (SASB) frameworks (see "ESG data and indices"/"SASB index") and the specifications of the Task Force on Climate-related Financial Disclosures (TCFD) (see the "Climate change" section and "ESG data and indices"/"TCFD index"). The Telefónica Deutschland Group also reports on its human rights due diligence obligations based on the requirements as per the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) in its Separate Non-Financial Group Report and in this CR Report. Since 2020 the Telefónica Deutschland Group has additionally been reporting in accordance with the principles of the United Nations Global Compact (UNGC). Since 2023 the corresponding Communication on Progress has been published on the UNGC's online platform. In this way, the Telefónica Deutschland Group is making a commitment to the UNGC's Ten Principles and

undertakes to realise these in the interests of governance for responsible corporate management. The Telefónica Deutschland Group also reports in accordance with the CDR Code of the Corporate Digital Responsibility Initiative as established by the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV). This CDR report on measures is available on the company's [website](#). With the implementation of the Responsible Business Plan 2025 the Telefónica Deutschland Group is also actively supporting the attainment of the United Nations' Sustainable Development Goals (SDGs) see "ESG data and indices" (contribution to the SDGs) and on the [company website](#).

The report content was chosen on the basis of the materiality principle. The Telefónica Deutschland Group performed a detailed materiality analysis in 2023 to determine which topics were material to this report. The materiality analysis and the associated structure of topic presentation are already based this year on the European Sustainability Reporting Standards (ESRS 1 General requirements) of the CSRD. In line with the future requirements, the material topics were determined in terms of the significance to the company (financial materiality, outside-in) and the impacts of its business activities (materiality of the impact on people or the environment, inside-out), which is known as double materiality.

The CR Report 2023 comprises the sections "Strategy", "Environmental aspects", "Social aspects" and "Governance aspects" that provide information on the sustainability strategy, measures, results, targets and challenges. The document "ESG data and indices" lists all the relevant key figures and an explanation is given as to how the Telefónica Deutschland Group continuously evaluates its sustainability performance. There is then a presentation of the frameworks the Telefónica Deutschland Group takes into account in the orientation of its sustainability strategy and in its reporting. The CR Report was audited by the external audit firm PricewaterhouseCoopers (PwC) in accordance with the ISAE 3000 (Revised) standard with limited assurance in line with the GRI criteria. The energy and CO₂ data and the calculations have also been verified by the Spanish standardisation and certification company AENOR INTERNACIONAL, S.A.U.



Report formats, reporting cycle and contacts

The Telefónica Deutschland Group's CR Report is published annually. Readers with comments or questions can contact the Corporate Responsibility & Sustainability team at cr-de@telefonica.com ↗.

The 2023 Separate Non-Financial Group Report was published on 28 February 2024 and is available at www.telefonica.de/nfs ↗. The Telefónica Deutschland Group uses this Non-Financial Group 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).

The 2023 Annual Report can be found at the following address: www.telefonica.de/annualreport ↗



Foreword

Dear Readers,

We look back on an eventful 2023. The past financial year once again saw the geopolitical situation intensify considerably. As a telecommunications provider, we are doing what we do best, even in challenging times – connecting people. Previous crises have shown just how important telecommunications are to enabling people to stay in contact with each other. It was this understanding that led us to support victims of war and natural disasters with free telecommunication services in 2023. We did this in Israel and the Palestinian territories and in response to the devastating earthquakes in Turkey and Morocco and the floods in Libya, for instance. Humanitarian aid is quite simply part of the responsibility to society that we feel committed to as a company. In our everyday interactions with one another, too, we are unambiguously dedicated to championing the things that connect people: we place great emphasis on diversity, freedom of opinion and tolerance – and we counter hate, sociopolitical agitation, antisemitism, hostility to democracy, and racism.

Telecommunications and digital services are now basic needs for people, just like electricity and heating. With over 45 million connections, the Telefónica Deutschland Group is Germany's largest mobile services provider. It is our network and what we offer that have made access to digital services and products affordable at all for a great number of the country's people. With the aim of operating a first-rate network throughout the nation, the year under review saw us close provision gaps systematically,

introduce 5G to further regions, and activate the latest network technology in the form of 5G Plus. In the third year following the launch of 5G, we are now reaching around 95%¹ of Germany's population with the new mobile communications standard. The experts of the specialist magazine *connect* rated the O₂ network "very good" for the fourth consecutive time.

Even though the current economic environment is a difficult one, our aim is still to grow sustainably and offer our customers a "green" network. It is to this end that we are investing in energy-efficient technology and using green electricity². By the close of 2025 we intend to be consuming around 20% less energy compared to the reference year 2021 with the network load remaining constant. We will be aided here among other things by network modernisation, AI-assisted network standby technology and the transfer of services to the cloud. When purchasing products for internal use, such as equipment for data centres or heating technology, we now not only consider the costs related to acquisition, but also those associated with energy and CO₂.

With a new circular economy strategy, we are creating the framework for resource-efficient and circular operations within our enterprise. An example of saving valuable resources can be found in our gradual transition to eco SIM cards, which are made of more than 90% recycled plastic. Customers can do without a physical SIM card entirely by opting for our eSIM.



"Germany needs to be leading the way digitally in Europe when it comes to mobile communications. We want to contribute to this through the expansion of our fast, green and stable network. Today, we are already reaching around 95% of Germany's households with our high-performance 5G network."

Markus Haas, Chief Executive Officer (CEO)
Chair of the Management Board of Telefónica Deutschland Holding AG

¹ The selected population-based evaluation not only includes the household-based supply calculation with a fixed location reference, as reported to the Federal Network Agency. 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 the fact that services are not only in demand at the place of residence, but also on the move. This value is the year-end value for 2023, which indicates the availability of the mobile service outdoors.

² The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.



“Exemplary ESG management is very important to us at O₂ Telefónica. Particularly in times of geopolitical and overall economic turbulence, this aids us in boosting our company’s resilience and demonstrating that sustainability and business success go hand in hand.”

Valentina Daiber, Chief Officer for Legal & Corporate Affairs
Member of the Management Board of Telefónica Deutschland Holding AG

Relevant environmental, social and governance (ESG) ratings attest to our success concerning sustainability. The Telefónica Deutschland Group is listed in ratings and indices that assess companies’ performance in the ESG areas. In the Sustainalytics rating, we were able to record an increase of more than two points in 2023 and with it the best ESG risk score of 233 companies globally in the telecommunication services category.

We have set ambitious ESG goals for the coming years. By 2025 we aim to offset our own direct emissions as well as our indirect emissions relating to electricity procurement and our travel activities. Moreover, we have set ourselves a target of achieving net zero carbon emissions by 2040. Close collaboration with our suppliers will be indispensable here. That applies as well for implementing the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG).

To identify potential risks in our supply chain early on, we are taking a targeted approach in employing an AI-based monitoring tool that we developed ourselves. It scans more than 150 million websites and social media platforms for indications of possible violations of human rights and environmental protection requirements. Furthermore, suppliers and their employees, our staff and other stakeholders can make use of confidential Telefónica Deutschland Group channels to submit human rights and environment-related complaints.

Social commitment is firmly embedded in our corporate culture. Our Corporate Volunteering Week, for example, put the focus in 2023 on digital education and inclusion. The participants supported migrants and refugees in applying for roles, practised using apps with senior citizens or spent time examining the topic of inclusion of hearing-impaired colleagues. During the O₂ Telefónica Run+, some 2,300 staff ran, cycled and swam in a race, in the process raising EUR 67,500, which was donated to causes including the Tafel food bank organisation and an association promoting sport among disadvantaged children. All of the things our employees manage to set in motion really are a constant source of awe.

As a member of the United Nations Global Compact (UNGC), we are committed to the organisation’s Ten Principles and undertake to realise these in the interests of governance for responsible corporate management. We assume responsibility for fair working conditions, equal treatment, health, a clean and healthy environment, freedom of association, data protection, data security, digital participation and freedom of information. And that applies in difficult times too. Thank you for standing by us in our mission.

Markus Haas
Chief Executive Officer (CEO)
Chair of the Management Board of
Telefónica Deutschland Holding AG

Valentina Daiber
Chief Officer for Legal & Corporate Affairs
Member of the Management Board of
Telefónica Deutschland Holding AG



Strategy

Portrait of the Telefónica Deutschland Group

A leading network operator

The Telefónica Deutschland Group is one of the three leading integrated network operators in Germany. It offers mobile and fixed services for private and business customers. It also offers these customers innovative digital products and services. In addition, numerous wholesale partners purchase the extensive mobile communications services of the Telefónica Deutschland Group. With a total of 45.1 million mobile connections as of 31 December 2023, the Telefónica Deutschland Group is one of the leading providers in this market. In 2023, at EUR 5,895 million, mobile services were the most important revenue stream for the Telefónica Deutschland Group (68.4% of the total volume). In this area, it 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 company's mobile communications network. In addition, the Telefónica Deutschland Group offers nationwide fixed services to complement its mobile services. Its fixed line network customer base amounted to approximately 2.4 million at the 2023 year end. Furthermore, the Telefónica Deutschland Group also provides services in the area of the Internet of Things (IoT), machine-to-machine (M2M) communication and managed connectivity, thereby tapping into new business segments closely connected with the Group's core operations.

Telefónica Deutschland Holding AG is a stock corporation (AG) under German law which is based in Munich, Germany. Telefónica Deutschland Holding AG is the parent company of the Telefónica Deutschland Group. This is included in the consolidated financial statements of the top Group parent company, Telefónica, S.A., Madrid, Spain (Telefónica, S.A.; its Group: Telefónica, S.A. Group). The direct parent company of the Telefónica Deutschland Group is Telefónica Germany Holdings Limited, a wholly owned subsidiary of O₂ (Europe) Limited, Slough, UK (O₂ (Europe) Limited), and an indirect subsidiary of Telefónica, S.A.

Business strategy of the Telefónica Deutschland Group

Multi-brand strategy to meet customer needs

The Telefónica Deutschland Group's partner business developed at a good level in the financial year 2023. This includes secondary and partner brands such as ALDI TALK (MEDIONmobile), Tchibo MOBIL, NettoKOM, AY YILDIZ and Ortel Mobile, as well as service providers such as Freenet. The provider 1&1 purchases national roaming services, to which 5G was added in the financial year 2023. With its secondary and partner brands and through its wholesale channels, the Telefónica Deutschland Group reaches further groups of customers, for example ethnic target groups in Germany.

In the reporting period, the company acquired an important new partner, the mobile operator Transatel, which will henceforth use the Telefónica Deutschland network. They will jointly expand the portfolio of connectivity solutions in the German market, for example for the automotive industry. Among other things, Transatel will offer Internet of Things and machine-to-machine applications via the Telefónica Deutschland Group's mobile communications network.

Democratising access to a sustainable digital world

The Telefónica Deutschland Group aspires to offering as many people as possible access to a sustainable digital future to make day-to-day life better for everyone. As an integrated telecommunications provider, the company offers private and business customers a variety of mobile communications and fixed line services as well as value-added services. The associated importance of this digital infrastructure goes hand in hand with a specific responsibility regarding sustainability and digital participation. The company has been taking a structured approach to environmental, climate and social issues for more than 20 years and has introduced numerous initiatives. In this way, the company wishes to make its contribution to a sustainable economy and society.

The digital participation of all people is founded on high-performance telecommunication networks. The Telefónica



Deutschland Group uses its own mobile communications network throughout Germany. The customers are provided with fixed line network access within the framework of cooperative partnerships. This enables the company to offer diverse and modern access to fast broadband connections throughout Germany and gives it a broad and geographically widespread portfolio in the nation. While the Telefónica Deutschland Group expands and operates its own 4G and 5G mobile communications network, it focuses on partnerships in the area of the fixed line business. The customers can be offered DSL and fibre-optic connections via the Deutsche Telekom infrastructure. In addition, partnerships with cable network operators such as the Vodafone Group and Tele Columbus expand the company's presence in the fixed line market and also open up further growth opportunities.

A modern network and reliable IT

The company's business success is founded on a modern network and reliable IT. Expansion of the Telefónica Deutschland Group's network focuses among other things on 5G: since the start of the year the company introduced the modern 5G standard at around 3,000 sites. This has led to the 5G network being made available to around 95%¹ of Germany's population. The 5G standard has therefore been made accessible to mobile communications users within a very short period and has laid an important foundation for it actually being possible to use high-data applications such as in the area of artificial intelligence.

The Telefónica Deutschland Group is also developing new digital market segments such as the IoT for its customer groups. The Telefónica Deutschland Group is systematically advancing the company's digital transformation and the related process optimisation. Firstly, this makes interaction with the customers easier and more intuitive, for example because the customers can use automated self-care offerings or more quickly identify and buy the product they want. And secondly, the company is using digital transformation to reduce, simplify and automate processes. The Telefónica Deutschland Group is endeavouring to create a uniform customer experience overall at all contact points.

Consistent growth strategy for the future

With its Accelerated Growth & Efficiency strategy plan, the Telefónica Deutschland Group laid the foundations in 2023 for profitable growth coupled with strong cash flow up to 2026. The three cornerstones of the strategy are firstly to increase the market share and dynamically further develop the core business, secondly to offer the customers a very good network and thirdly to accelerate the company's own sustainable digital transformation.

The Telefónica Deutschland Group's continued focus on profitable growth likewise resulted in a good financial performance. At EUR 8,614 million, revenues increased by +4.7% year-on-year in the financial year 2023 and were therefore above the financial outlook for the first half of 2023, which was raised in the interim report. Investments focused on network densification and further expansion of the 5G network in the reporting year. The Telefónica Deutschland Group had achieved coverage with 5G of around 95% of the population in Germany¹ by the end of 2023 and is on track to achieve nationwide coverage with 5G by the end of 2025 at the latest. Further information on this can be found in the Combined Group Management Report 2023.

The Telefónica Deutschland Group intends to continue on the current growth path in the future. In addition to closing grey and black spots in its mobile communications coverage, the Telefónica Deutschland Group is investing further in digitalising its network and, as such, in Germany's ability to compete as a place of business. To this end, the company is systematically focusing on 5G expansion and is implementing modern technologies such as the cloud, artificial intelligence and network automation.

The Telefónica Deutschland Group will simultaneously continue on its chosen path of digital transformation to achieve revenue increases and efficiency improvements. The Telefónica Deutschland Group is focusing here on sustainable growth and continues to advance its ESG strategy. The company is intensively pursuing the climate and environmental targets it has set. At the same time, social responsibility and digital inclusion are at the heart of its business activities.

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 (Bundesnetzagentur). It also includes commuter flows of the population, so that part of the population is counted at both their place of residence and 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 figure is the 2023 year-end figure representing the availability of mobile services outdoors.



Sustainability strategy of the Telefónica Deutschland Group

Sustainability is a key factor for the success of the business model and has been an integral part of the Telefónica Deutschland Group's DNA since 2005. The purpose of "We democratise access to a sustainable digital future to make day-to-day life better for everyone" is at the heart of the Telefónica Deutschland Group's actions. The Telefónica Deutschland Group wants to contribute to enabling Germany and the rest of Europe to play a leading role in the digitalisation of the economy and society. This includes assuming responsibility and bearing in mind the impact that all the business activities have on individuals, society and the environment.

Systematic further development of the business model and the business processes is key to shaping a sustainably digital world responsibly. The company continuously updates its IT systems to offer the customers and employees the best possible seamless interaction and generally become more efficient. In an increasingly connected and ever faster world, the resultant tangible benefit for the customers is becoming more and more important. Since the company considers itself a key driver of digitalisation, it sees itself as having a particular responsibility here. The concept of corporate digital responsibility (CDR) therefore has an important part to play in the Telefónica Deutschland Group's business conduct. It is a founding company of the [CDR Initiative](#) launched in 2018 now under the auspices of the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection.

The company therefore integrates sustainability into its business processes by means of fixed structures with the aim of putting the company on a forward-looking footing. The Telefónica Deutschland Group actively manages its sustainability activities by means of the Responsible Business Plan 2025. Its clear commitment to sustainable business practice where its core business is concerned additionally contributes positively to the reputation of the Telefónica Deutschland Group and to minimising business risks, also helping to achieve the United Nations' Sustainable Development Goals (SDGs). The focus is on the following three SDGs:

- SDG 9 Industry, innovation and infrastructure: the Telefónica Deutschland Group promotes integrative, inclusive and sustainable connectivity and offers digital and analogue advice regarding all of its products and services. It wants to offer everyone access to the digital world.

- SDG 5 Gender equality: the company promotes gender equality, equal opportunity and closing pay gaps.
- SDG 13 Climate action: with its measures to optimise energy consumption as well as the use of resources and reduce emissions, the Telefónica Deutschland Group is contributing to combating climate change.

More information on the contribution made to the SDGs can be found on the [company website](#).

Governance for responsible corporate management secures sustainable value creation

In the interests of governance for responsible corporate management, the Telefónica Deutschland Group keeps 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 and digitalisation.

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. The Management Board 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 and sustainability are an integral part of the Telefónica Deutschland Group's business mindset and activities. The company therefore attaches importance to transparent reporting regarding its sustainability performance. The material non-financial topics for the Telefónica Deutschland Group are reviewed and approved by the Management Board annually and are presented to the Supervisory Board for its information.



The impacts on people, society and the environment are also considered when determining materiality (see “[Determination of the material non-financial topics and risks](#)” section). Likewise, the implementation status of the human rights due diligence obligations is presented to the Management Board annually as part of the report to the Management Board by the Human Rights and Environment Committee (see the “[Implementation of human rights due diligence obligations](#)” section).

Responsible Business Plan as a tool to steer sustainability management

The Responsible Business Plan (RBP) 2025 “Digital.Sustainable. Connected.” is the key tool when it comes to sustainability management. It serves as the framework for the sustainability targets and activities of the departments and company sites. With the RBP 2025 the company wishes to continue to responsibly shape sustainable digitalisation and the transformation of the economy and society in the future. This objective is pursued with clearly defined commitments in four fields of action:

- 1. Principles of governance for responsible corporate management:** our business as a digital company will be founded on the principles of governance for responsible corporate management that we rigorously and systematically apply to all our business processes.
- 2. Employees:** we will advance the digital working world as an attractive employer.
- 3. Customers and society:** we will offer high-quality products and services and will ensure digital inclusion for all with our modern network.
- 4. The environment and climate:** we will offer our customers a “green” network.

The company selected specific strategic priorities per field of action and these are reflected in defined measures and targets for the year. For example, Scope 1 and Scope 2 emissions are to be completely offset on the basis of concrete measures by 2025 in order for the target of net zero emissions¹ by 2040 to be achieved, customer and employee satisfaction are to be further increased and safe participation in digital life is to be enabled for people. With the RBP 2025 the Telefónica Deutschland Group wishes to continue to responsibly shape sustainable digitalisation and the transformation of the economy and society in the future. The company gauges its progress at the level of the overarching fields of action on the basis of fixed management-relevant non-financial key performance indicators. The targets, commitment, performance indicators and ambitions of the four areas of action are each listed at the end of the sections covering the corresponding topic areas.

- For the action area of climate and the environment, see the end of the section covering “[environmental aspects](#)”.
- For the action areas of employees as well as customers and society, see the end of the section covering “[social aspects](#)”.
- For the action area of principles of governance for responsible corporate management, see the end of the section covering “[governance aspects](#)”.

The status of the action areas’ ambitions for the reporting year is as follows:

T 01: Four fields of action, four ambitions for 2025

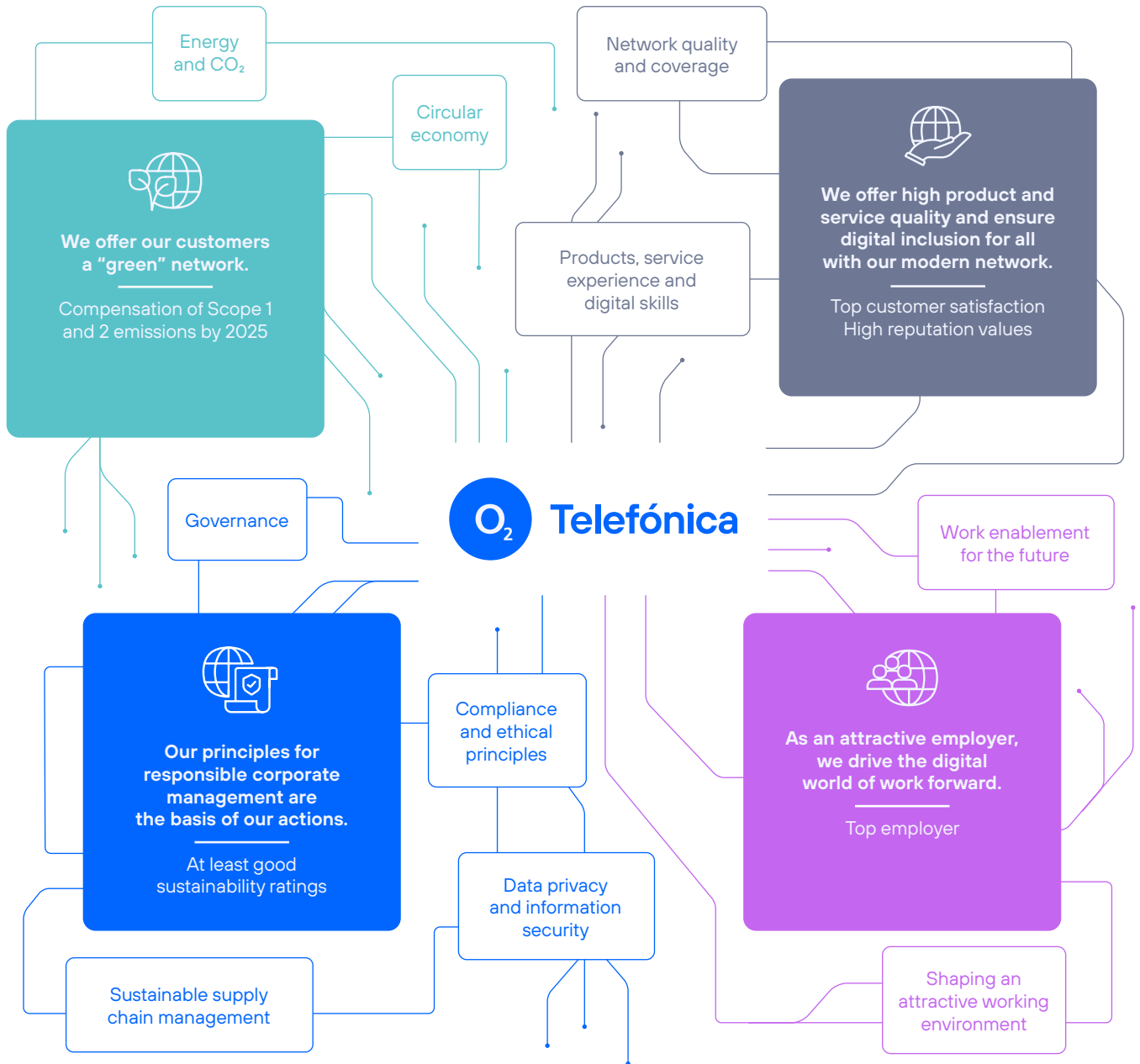
	Main KPIs	Results for 2023 (compared to previous year)	2023 status
Applying principles of responsible corporate management	At least good sustainability (ESG) ratings	Good results (stable)	
Driving the digital working world forward	Top employer (eNPS)	78 (+11.8 points)	
Offering high product and service quality and enabling digital inclusion	Top customer satisfaction (NPS) High reputation score (RepTrak)	Stable performance (stable) Stable (slight decline)	
Offering a “green” network for customers	Compensation of Scope 1 and 2 emissions by 2025	6,190 t CO ₂ (-97% compared to base year 2015) (2022: 5,781 t CO ₂)	

¹ The Telefónica Deutschland Group uses the term “net zero emissions”, with carbon emissions being the focus of its efforts in this area. The company nevertheless includes not only carbon dioxide (CO₂) in its calculations, but also the other greenhouse gases (methane (CH₄), nitrous oxide (N₂O) and refrigerant gases which are relevant to the climate (F-gases)) and uses CO₂ equivalents for this. A detailed description of the state of net zero emissions can be found [here](#).

G 01:

Responsible Business Plan 2025

Digital.Sustainable.Connected.





Determination of the material non-financial topics and risks

The Telefónica Deutschland Group performed a materiality analysis in 2023 to determine which topics were material to this report. Here, it voluntarily orientated the materiality analysis to the European Sustainability Reporting Standards (ESRS 1) of the Corporate Sustainability Reporting Directive (CSRD). In accordance with future requirements, a double materiality assessment was conducted. This encompasses the material topics in terms of the significance to the company (financial materiality, outside-in) and the impacts of its business activities (materiality of the impact on people or the environment, inside-out). As a result, 17 sustainability aspects were identified as being material to the company.

To determine which topics are material to the Telefónica Deutschland Group, the scope of the materiality assessment was first defined and the stakeholders who are relevant to the assessment were identified. The potentially material topics were preselected on the basis of the European Sustainability Reporting Standards (ESRS 1 para. AR 16 (list of topics to be considered)) and the Telefónica Deutschland Group's Responsible Business Plan 2025. Internal topic experts then evaluated one or more specific

ESG topics from among the 23 preselected topics. The severity and probability of occurrence were assessed to determine the impacts on people and the environment (inside-out) throughout the value chain (upstream and downstream value chain and own business activities), while the extent and probability were assessed in order to determine the financial opportunities and risks for the Telefónica Deutschland Group's business (outside-in). This was followed by a second assessment stage performed by senior management employees who have a cross-functional understanding of the specific interests and expectations of the stakeholders with regard to ESG topics. The resultant material sustainability topics were then analysed and discussed within the company, and approved by the Management Board, with the Supervisory Board being notified of this.

To structure this report better, the material topics were allocated to the three overarching environmental, social and governance (ESG) aspects which are to be reported on and were combined according to the logic of the European Sustainability Reporting Standards (ESRS).

The topics described in this report can be found in the table below:

Topic	CR Report section	Material topic	RBP topics previously reported on
Environmental aspects	Climate change	Adaptation to climate change Climate protection Energy	Energy and CO ₂
	Circular economy	Resource use Circular economy	Circular economy
Social aspects	Own workforce	Working conditions	Labour-management relations; employee health and safety
		Equal treatment and opportunities for all	Diversity, equal opportunity and non-discrimination; training and education
		Other work-related rights	Human rights due diligence
	Implementation of human rights due diligence obligations	Human rights due diligence	Human rights due diligence
	Workers along the value chain	Workers along the value chain	Sustainable supply chain management; human rights due diligence obligations
	Affected communities	Affected communities	Network quality and coverage; product and service experience
	Consumers and end-users	Consumers and end-users	Product and service experience; network quality and coverage
	Company-specific	Digital participation	Product and service experience; network quality and coverage
Governance aspects	Business conduct	Business conduct	Governance, compliance and ethical principles
		Anti-competitive behaviour and political engagement/lobbying Corruption and bribery	
	Company-specific	Sustainable investments Data protection and information security	- Data protection and information security



The topics of "Data protection and information security" as well as "Sustainable investments" were identified as material entity-specific sustainability aspects in addition to the ESRS topics. These entity-specific topics are highly relevant to the business of the Telefónica Deutschland Group. Likewise, the company's activities have relevant impacts on these fields: data protection and information security affect the Telefónica Deutschland Group's core business. As a result of the ever-increasing importance of ESG topics in the company's financing strategy, sustainable investments are reported on in a dedicated section for the first time.

The CR&S directorate develops the sustainability strategy

The Telefónica Deutschland Group's sustainability strategy is approved by the Management Board. It is an integral part of the corporate strategy and is additionally 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 Corporate Responsibility & 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 & Corporate Affairs of Telefónica Deutschland Holding AG and reports directly to the Management Board member responsible for Legal & Corporate Affairs. The Supervisory Board is integrated into the creation of the Non-Financial Group Report for the fulfilment of the requirements pursuant to Section 315b in conjunction with Section 289c of the German Commercial Code (HGB). The Supervisory Board discusses the findings of the audit of the Non-Financial Group Report and the related performance indicators with the auditors and then decides on approval of the Non-Financial Group Report following its own audit.

Human Rights Officer appointed

The Management Board and the works council receive an annual report on the implementation of human rights and environment-related due diligence obligations in the past financial year and on the latest human rights developments within the company, in politics and in society. The Management Board bears responsibility for human rights being upheld. The Human Rights Officer appointed on 1 January 2023 is responsible for monitoring risk management and the human rights due diligence system. They are supported by the interdisciplinary Human Rights and Environment Committee.

Determining concrete CR targets and making them quantifiable

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&S Committee, the Energy Committee, the Data Protection Forum, the Health 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 sustainability, the Telefónica Deutschland Group confers with the Telefónica, S.A. Group.

The Telefónica Deutschland Group's actions were guided in 2023 by the clear ambitions and commitments in the Responsible Business Plan 2025 as the key tool when it came to sustainability management. Concrete CR targets for the ambitions and 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). Achievement of the CR goals is regularly reviewed together with the senior management of the departments involved. The target attainment level is additionally reported to the Management Board every six months.

The reporting and due diligence obligations for companies are subject to ongoing changes, for example in relation to the European Union's Green Deal, the EU Taxonomy Regulation, the new Corporate Sustainability Reporting Directive and the recently adopted EU pay transparency directive, both of which must now be transposed into national law, and supply chain sustainability (cf. the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and the EU's supply chain directive). The Telefónica Deutschland Group is preparing comprehensively for these new requirements.



G 02: Steering of sustainability management at the Telefónica Deutschland Group





Sustainability management guidelines

The company’s own 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 “Workers along the value chain” section).

The Telefónica Deutschland Group’s [Business Principles](#) serve as the foundation for its actions. They document its understanding of a company governed on the basis of ethical principles, corporate standards and behaviour patterns. They are derived from the fundamental values of integrity, reliability and transparency and act as a binding code of conduct that

G 03: The most important guidelines and guiding principles for successful sustainability management

 <p>Governance for responsible corporate management</p> <ul style="list-style-type: none"> • Business Principles • Management Declaration • Declaration of Principles on Respecting Human Rights • Human Rights Policy • Corruption prevention guidelines • Guidelines on handling conflicts of interest, invitations, gifts and incentives • Whistle-blower policy • Policy compliance organisation • Business continuity management guidelines • Company guidelines on corporate responsibility • Donation guidelines • Risk Management Policy • Guidelines for ethically responsible communication • Social Media Guidelines • Artificial Intelligence Principles • Whistle-blower procedure for human rights and environment-related risks or violations 	 <p>Sustainable supply chain management</p> <ul style="list-style-type: none"> • Supply Chain Sustainability Policy (incl. conflict minerals) • Low-carbon procurement guidelines • Purchasing guidelines • General Conditions for the Supply of Goods & Services • Supplier Management Instruction • Rules for the procurement of services and handling service providers • Low-carbon policy 	 <p>Work environment</p> <ul style="list-style-type: none"> • Bonus arrangements in the remuneration of the Management Board and of the executives • Diversity & Inclusion Policy • Equality Policy • Health policy • Group standard occupational health and safety management • Risk assessment guidelines • Guidelines on occupational health care • Guidelines for occupational health and safety officers • Emergency organisation guidelines • Fire safety regulation guidelines • First aid guidelines
 <p>Environmental and energy management</p> <ul style="list-style-type: none"> • Environmental policy • Sustainable Energy Management Policy • Group-wide commitment to achieving net zero emissions 	 <p>Data protection and freedom of expression</p> <ul style="list-style-type: none"> • Group data protection standard incl. commitment and guidelines on handling data • Data protection contract guidelines • Data protection information obligation guidelines • Procedural instructions for data protection controls • Procedural instructions for data privacy incidents 	 <p>Information security</p> <ul style="list-style-type: none"> • Information security policy • Corporate Rule on Minimum Controls • Confidentiality levels • Guidelines on security incidents • Guidelines on physical safety • Cloud security policy



sets benchmarks for involvement in business life. The Telefónica Deutschland Group wishes to be a company which is trusted by its customers, employees, suppliers, shareholders and society. 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 and mandatory training on observing these principles.

The Business Principles were comprehensively revised in the previous year to ensure that they continue to take into account the latest market and societal requirements. In the past three years up to the end of the reporting year 2023, 95.1% of the employees¹ were given training on the Business Principles and human rights. This represents an increase compared to the three-year figure reported in the previous year (2022: 84.3%). After the code of conduct was revised, the training was adapted at the end of 2022. In addition, the focus is now also more keenly on ESG topics, giving everyone a part to play in jointly advancing the company's sustainable transformation (see also the "Business conduct" section).

T 02: Governance

Unit	2023	2022	2021
Employees and directors given training on the Business Principles and human rights ¹	95.1	84.3	97.7

¹ Proportion based on number of employees of Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation includes the completed training units of the last three years. For 2023 this means 7,068 completed training units between 1 January 2021 and 31 December 2023.

Bonus system offers incentives for sustainable conduct

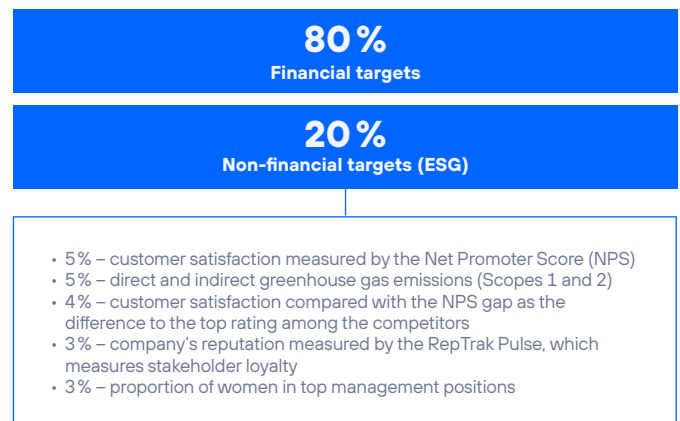
The Telefónica Deutschland Group uses management bonuses as an incentive for the achievement of its company targets. Since 2019 it has intentionally linked bonus payments for the Management Board, executives and certain experts to the company's performance with regard to its sustainability targets. In addition to financial performance indicators, which have a weighting of 80% and are audited with reasonable assurance, there are therefore also non-financial criteria with a weighting of 20% and audited with limited assurance. The latter include boosting customer satisfaction, strengthening the Group's reputation, reducing carbon emissions and increasing the proportion of women in management positions. The Telefónica Deutschland Group's targets for 2023 are the same as the

previous year's performance indicators and their weightings remain unchanged too. 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 of 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 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](#).

G 04: Variable remuneration is linked to sustainability targets



¹ Proportion based on number of employees of the Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). Units of training completed in the past three years are included in the calculation. This means the 2023 figure for completed training is 7,068, which covers 1 January 2021 to 31 December 2023.



Risk management as protection against negative impacts

All business activities involve risks which can adversely affect the process of setting and attaining targets. Risks which go unnoticed can jeopardise the company's successful development. To be able to respond appropriately to potential risks and to have informed risk assessments play a part in its decision-making, the Telefónica Deutschland Group uses an established risk management process. This is founded on the risk management strategy, the primary goal of which is to strive for business success, carefully weigh up the risks, reduce risks and, if necessary, take steps to counter them.

ESG topics are part of the Telefónica Deutschland Group's risk management process. Here, risks are considered from two perspectives: on the one hand the impact of risks on the Telefónica Deutschland Group (outside-in perspective) and, on the other, their impact on the environment and society (inside-out perspective). The Telefónica Deutschland Group identified two new outside-in risks in 2023. Firstly, there is the risk of damage to the company's reputation and/or penalty payments as per the new German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) as a result of human rights violations by suppliers or other business partners. And secondly, the increased ESG reporting requirements mean there is the risk of damage to the company's reputation as well as financial consequences if the regulatory requirements pursuant to the Corporate Sustainability Reporting Directive are not met in full. The outside-in risks are explained in greater detail in the "Risk and opportunity management" section of the [Combined Management Report](#) . The inside-out risks can be found in the "Climate change" and "Human rights and social standards along the supply chain" sections of the 2023 [Separate Non-Financial Group Report](#) .

The Risk Management department trains the risk coordinators and division directors individually if needed. New Management Board members are likewise given training in dealing with risks, including in the context of ESG topics. All employees can complete voluntary risk management training on the company-wide training platform to develop awareness of risks and how to deal with them at the Telefónica Deutschland Group. The risk coordinators discuss new regulatory requirements, the processes and the assessment methodology at an annual round table. Detailed information regarding the Telefónica Deutschland Group's risk management and risk reporting is provided in the [Annual Report 2023](#) . External ISO certification of the business continuity management system in accordance with ISO 22301:2019 commenced in late 2023 and was concluded in early 2024. Business continuity coordinators and managers have been appointed in all the divisions.

Diverse implementation of stakeholder management

The Telefónica Deutschland Group reports on its business activities transparently and openly and incorporates the feedback from its relevant interest groups into the development of its business processes all along the value chain.

The Government Relations directorate which is responsible here and the Lobbying division fall within the remit of the Chief Officer for Legal & Corporate Affairs. The Telefónica Deutschland Group reports openly on the positions it adopts in the [German Bundestag's Lobbying Register](#) , in the BASECAMP, in its Telefónica blog, on the Telefónica BASECAMP's online platform, in the O₂ Telefónica TecTalk and in its social media channels. The company remains politically neutral and does not adopt a stance for or against any political party either directly or indirectly; monetary donations to political parties are not permitted.

To be a fair and trustworthy partner for its stakeholders and find out more about their needs, the Telefónica Deutschland Group focuses on transparent communication and dialogue with the customers, employees, suppliers, policymakers and society. The company endeavours to form networks for digital progress and highlight the benefits of cooperation that is close and on a sustainable basis. It wishes to share its expertise and represent its interests in the political opinion forming process. Especially at times of crisis, close ties with policymakers and authorities are important, for example when it comes to protecting and expanding critical infrastructure. With its stakeholder management, the Telefónica Deutschland Group simultaneously pursues the goal of doing better at recognising the impact that its actions have so it can further develop its business model with a focus on the benefits for society.

A decentralised approach is taken to stakeholder management within the Telefónica Deutschland Group. The departments are responsible for stakeholder engagement in their relevant areas of expertise. Various departments therefore hold regular discussions with the relevant stakeholders ([see diagram on page 19](#)). To explain the ESG strategy to investors and engage in dialogue with them, the Telefónica Deutschland Group once again organised an [ESG roadshow](#) involving Chair of the Supervisory Board Peter Löscher and CEO Markus Haas in 2023. Stakeholders in associations and NGOs as well as policymakers are selected on the basis of their relevance to the Telefónica Deutschland Group and are, for example, invited to participate in panel discussions. Their position/office is key here. The Telefónica Deutschland Group also maintains contact with important leading media and with technology media with the aim of representing its positions in societal, business and technology-related debates.



The Business Principles oblige the Telefónica Deutschland Group to observe transparency vis-à-vis its stakeholders. They should be given clear, truthful and easily accessible information regarding the Telefónica Deutschland Group's strategy and activities and should be able to approach the Group with questions, suggestions or complaints at any time. The corporate responsibility inbox (cr-de@telefonica.com ↗), the [whistle-blower procedure](#) ↗ and the social media channels, for example, are there for this purpose. Stakeholders can also approach the company representatives and engage in dialogue with them during their own events, such as at the BASECAMP. The [Human Rights Policy](#) ↗ additionally governs interactions with the stakeholders and the human rights inbox can be reached for dialogue about and information on human rights issues. [Rules of procedure](#) ↗ describe the complaints procedure for reporting violations or information via the human rights reporting channel or the ombudsperson (more information on this in the "[Workers along the value chain](#)" section).

The "[Guideline for ethically responsible communication](#)" ↗ stipulates action guidelines for the company and its employees regarding communication channels, advertising, events and content creation. Sustainability, the protection of young people

and the responsible use of resources are likewise explicitly addressed in the context of corporate communications and advertising. Based on this guideline, a practical guide featuring ethical guidelines for marketing communications was developed for employees and communication partners. In the form of social media guidelines and guidelines on the use of social apps, the Telefónica Deutschland Group also offers its employees guidance regarding sharing company-related content.

The Telefónica Deutschland Group continuously evaluates its stakeholder engagement with, for example, the RepTrak. This metric gauges society's perception of the company's performance and is used to calculate the bonus payments made to executives. The 2023 annual average score for the RepTrak was 62.6 (2022: 63.9) from 100 points. The main reason for this drop is that general societal developments such as continuing economic uncertainty among consumers, inflation and war are exerting a negative influence on the reputation of all sectors. Deutsche Telekom and Vodafone thus saw a decline in 2023 in comparison to 2022, whereas in the telecommunications sector's core drivers – value for money and customer focus – O₂ continued to perform soundly.

Telefónica Deutschland's stakeholder management is founded on five pillars:

- 1. Cooperation:** the Telefónica Deutschland Group communicates with its stakeholders through projects and intensive dialogue and develops future-oriented solutions together.
- 2. Dialogue:** via various formats, the company maintains close contact with its stakeholders and engages in an open dialogue – both digitally and personally.
- 3. Consultation:** the Telefónica Deutschland Group actively integrates its stakeholders, for example through surveys on classifying the relevance of current topics and their opinion of the company.
- 4. Information:** the company uses numerous channels to inform its stakeholders with regard to current developments, news concerning its topics, and offerings and products.
- 5. Empowerment and engagement:** the Telefónica Deutschland Group engages in programmes and initiatives in close cooperation with a variety of organisations to further empower stakeholder groups in the digital world.

G 05: Telefónica Deutschland in regular dialogue with its stakeholders

<p>Local authorities </p> <p>Cities, towns and municipalities are important partners for the Telefónica Deutschland Group regarding the expansion of the network infrastructure.</p> <ul style="list-style-type: none"> • Collaboration regarding selection of network/antenna sites • Education and information regarding mobile communications and health • Joint pilot projects relating to infrastructure measures • Participation in municipal council meetings • Involvement in communication measures regarding mobile communications and 5G at the regional level 	<p>External initiatives </p> <p>The Telefónica Deutschland Group collaborates with representatives of business, science and civil society on topics relevant to sustainability.</p> <ul style="list-style-type: none"> • Participation in Bavarian Environmental Pact and Munich Business Climate Pact • Involvement in #SheTransformsIT and the Chef:innensache initiative for greater equality of opportunities for women in digitalisation • Dialogue in the Joint Alliance for CSR (JAC) regarding our membership of the Telefónica, S.A. Group • "Charta der Vielfalt" (Diversity Charter) • Allianz für Digitale Kompetenzen (Alliance for Digital Skills) • The German government's CDR Initiative 	<p>Customers </p> <p>The Telefónica Deutschland Group is in constant contact with its customers and wishes to offer them guidance and assistance in a world which is becoming more and more complex.</p> <ul style="list-style-type: none"> • Shops, hotlines, chats, innovative formats such as the O₂ Virtual Store, short videos, social media, forums (O₂ Community), messaging (WhatsApp) • O₂ my Service App • Aura AI voice assistant • Informationszentrum Mobilfunk (Information Centre for Mobile Communications (IZMF)) as a knowledge portal • Measurement of customer satisfaction all along the customer journey 	<p>NGOs </p> <p>Non-governmental organisations and non-profit initiatives are important partners and idea providers for the implementation of programmes aimed at sustainable digitalisation.</p> <p>Partnerships and knowledge sharing with ongoing dialogue:</p> <ul style="list-style-type: none"> • Digital Opportunities Foundation • German Association for Voluntary Self-Regulation of Digital Media Service Providers • German Children's Fund • Cybermobbing-Hilfe (Cyberbullying Support) • AfB social & green IT • Global Compact Network Germany • NABU • klicksafe • Initiative D21 • fragFINN e.V.
<p>Telefónica Deutschland Group</p>			
<p>Employees </p> <p>The Telefónica Deutschland Group sets great store by trusting cooperation and promotes social engagement among its employees.</p> <ul style="list-style-type: none"> • Employee surveys • Works meetings • Events with the Management Board such as Tower Talk with the active involvement of employees via chat function, Vorstand im Dialog (Management Board in Dialogue) • TelefónicaConnects internal community for women • DigitalBrain: AI-based knowledge management tool with employees' questions and answers • Comments function for employees for all intranet posts • O₂ Telefónica Run+ • Calls hosted by executives in German and English every three weeks • Monthly virtual 30 Minutes@Work all-hands meeting • Volunteering Week and Corporate Volunteering Day • "Feel Good" – information, assistance and self-help regarding health matters • Employee engagement for aid organisations (e.g. flood disaster, Aktion Deutschland Hilft (Germany's Relief Coalition) emergency aid for Ukraine) • Target-group-specific newsletter formats for employees and managers • Management offsites • Division-specific meetings and offsites 	<p>Influencers from business, politics and science </p> <p>The BASECAMP is O₂ Telefónica's platform for pioneering thinking and realisation in the digital field. It also functions as a space for debate, a cafe and an event venue for the digital community in the heart of Berlin. Not only is it a hub of anticipation and discussion, but also forward thinking and polarising political opinion. The BASECAMP invites people to actively get involved and it welcomes both new ideas and a diversity of views. At the BASECAMP, the door is open for anyone to play an active part in and contribute to the platform's life. In addition, there is a holistic CEO and Management Board positioning programme for the debate on digitalisation. This includes cooperation with publishers, media, institutes, associations and start-ups as well as a dedicated audio and video format, the O₂ Telefónica TecTalk and the debate format Data Debates with the <i>Der Tagesspiegel</i> newspaper.</p> <p>Event series at the BASECAMP:</p> <ul style="list-style-type: none"> • Nachgefragt! Auf ein Wort mit ... (Answers sought! A word with ...) • Data Debates • UdL Digital Talk • FishBowl • Kitchen Talk • BASECAMP themed week 	<p>Political and administrative spheres, business and associations </p> <p>The Telefónica Deutschland Group seeks dialogue with political and business players and is involved in the work of associations.</p> <ul style="list-style-type: none"> • Regular dialogue with policymakers and authorities at the national, regional and local authority levels regarding network regulation, security and data protection • Membership of relevant associations such as Bitkom, VATM, eco, Initiative D21, BVDW, BDI and FSM • Founding member of the German government's Corporate Digital Responsibility Initiative • Communication with the judiciary as well as with security and data protection authorities in line with the statutory requirements • Transparency report on, for example, information requests submitted by government agencies • Discussion rooms for the political sphere in Berlin and active exchange of opinions regarding digital policy in hybrid events held at the BASECAMP • BASECAMP.digital blog and social media channels • O₂ Telefónica TecTalk • CEO and Management Board positioning programme for the debate on digitalisation 	<p>Suppliers and business partners </p> <p>The Telefónica Deutschland Group maintains fair partnerships and ongoing dialogue with its suppliers in order to design the value chain to be more sustainable.</p> <ul style="list-style-type: none"> • Supplier website and reporting channels • Ongoing dialogue based on assessment results • Action plans for the improvement of high-risk suppliers • Local audits • Genuine feedback culture
<p>Shareholders and investors </p> <p>The goal is to communicate the company's strategy and business model to capital market players transparently and comprehensibly.</p> <ul style="list-style-type: none"> • Annual General Meeting • Regular reporting on finances, ESG and the financial year • Capital market stakeholder management • Separate Non-Financial Group Report and CR Report 			



Social debate with top decision makers

In various event series, representatives of the Telefónica Deutschland Group engage in discussions with top decision makers from the fields of politics, business, science and society to bring together different perspectives regarding digitalisation and the future of digital life. Again in 2023 the dialogue partners included federal ministers and heads of associations, scientists, journalists and representatives of civil society (more on the guests in the overview of speakers).

For a week in October 2023 everything at the BASECAMP, the Telefónica Deutschland Group's discussion venue in Berlin, revolved around the latest technology topics. The [programme of the themed week](#) featured discussions on, among other things, the impacts of AI on politics, corporate cybersecurity, start-ups in the health care sector and how the Internet could be made "more sustainable".

As an initiator and partner of the *Der Tagesspiegel* newspaper's [Data Debates](#), the Telefónica Deutschland Group regularly invites high-calibre guests from the worlds of politics, business, science and culture to the BASECAMP to debate the impacts of digitalisation on society. With the installed 5G indoor campus solution, the BASECAMP makes it possible for any interested politicians, business representatives, entrepreneurs and consumers to test and familiarise themselves with the new mobile communications technology in the real world. Dialogue regarding the material topics in the area of future technologies is also promoted there, for example with the [BASECAMP Trend2Go!](#) event series launched in the year under review.

In the UdL Digital Talk format (UdL stands for Unter den Linden) too, which has been running for many years, high-ranking politicians come together with opinion leaders to discuss topical issues relating to German and European digital policy. The federal ministers Volker Wissing and Cem Özdemir took part in 2023.




In the [video format O₂ Telefónica TecTalk](#), CEO of the Telefónica Deutschland Group Markus Haas regularly meets renowned representatives from the fields of politics, business and society to discuss with them how to shape and expedite digitalisation and sustainability on the basis of a strong network infrastructure.



Environmental aspects

Climate change


THE KEY FACTS:

-  **New Low Carbon Procurement Policy:** in addition to acquisition and operating costs, energy and CO₂ costs are now also taken into account when purchasing energy-consuming products.
-  **The Telefónica Deutschland Group intends to reduce its energy consumption by around 20%, provided the network load remains steady, by the end of 2025 compared to the reference year 2021, among other things with network modernisation and cloudification.**
-  **The Telefónica Deutschland Group offset 60% of Scope 1 and 2 emissions with verified climate certificates in the reporting year.**

BASIC PRINCIPLE AND CHALLENGES


Digitalisation as a climate protection opportunity

According to a Bitkom study¹, digital technologies have the potential to reduce carbon emissions in Germany by a fifth, thereby indirectly helping to achieve the national climate targets. This potential 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 through connectivity do electricity grids become smart grids that allow electricity generation and consumption to be managed efficiently.

However, as connectivity increases, there will also inevitably be an increase in the volume of data transmitted via the networks as well as in the energy consumption related to this. At around 98%, network technology accounted for the largest share of electricity consumption at the Telefónica Deutschland Group in the reporting year. Increasing the energy efficiency of its networks and data centres is therefore a top priority for Telefónica Deutschland. A [three-year energy conservation programme](#)  was initiated in 2023. It has the aim of reducing energy consumption by around 20%, provided the network load remains steady, by the end of 2025 compared to the reference year 2021. The basis here is AI-assisted network standby technology, network modernisation 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. The Group is also part of the Business Ambition for 1.5 °C action alliance. 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 likewise been validated and the Group's programmes and measures are contributing to the target of 1.5 degrees being achieved.

Already, 100 % of the electricity used by the Telefónica Deutschland Group is green electricity². The Telefónica, S.A. Group discloses its environmental and climate data annually in the CDP report and was awarded the top [mark of A](#)  by the organisation for the tenth consecutive year in the year under review for its achievements here. Among other things, it assesses transparency regarding emission reductions and the lowering of climate risks.

¹ Source: Bitkom study "Climate Impacts of Digitalization", February, 2024.

² The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100 % green electricity by guarantee-of-origin certificates.



Within the Telefónica Deutschland Group, handling climate change has already been integrated into the areas of corporate governance, strategy, risks and goals. It relies on a variety of elements to save energy and reduce greenhouse gas emissions: it invests in energy-efficient technology, uses green electricity, promotes low-pollutant mobility and is increasingly offering its customers more sustainable products and services. With the help of the Telefónica Deutschland Group's infrastructure and services, businesses and people can realise their sustainable digital business models and play a part in this.

Target of net zero emissions throughout the value chain by 2040

The assumption of responsibility for the climate and the environment is a basic principle of the Telefónica Deutschland Group. This responsibility is at the very heart of its climate strategy, with which it aligns itself closely in the Group-wide commitment: the company has set itself the goal of reducing 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 goal is to achieve net zero emissions by 2040, with the interim goal of offsetting its own direct (Scope 1) emissions and emissions caused indirectly (Scope 2) by procuring power and the emissions from its own travel activities by 2025 at the latest. Unavoidable emissions are offset by certified climate protection projects with high ecological and social standards. Other Scope 3 emissions are to be reduced by 39% by 2025 in comparison to 2016.

T 03: Reduction of Scope 1 and Scope 2 emissions

	Unit	2022	2023	2025 targets
Carbon reduction ¹	%	97	97	95
Energy efficiency ²	%	81	83	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 upstream supply chain, were evaluated in a coordinated manner throughout the Telefónica, S.A. Group and tackled and reduced via corresponding measures in the reporting year 2023. Here, 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.

In the reporting year, the Telefónica Deutschland Group examined whether the five Scope 3 categories as determined by Telefónica, S.A. were also material to the German Group. To this end, it examined the 15 categories of the Greenhouse Gas Protocol and confirmed the following five categories to be material:

1. Purchased goods and services
2. Capital goods
3. Fuel- and energy-related emissions
4. Business travel
5. Use of products sold

As the next step, the Telefónica Deutschland Group will derive targets and measures for reducing Scope 3 emissions in these five categories.

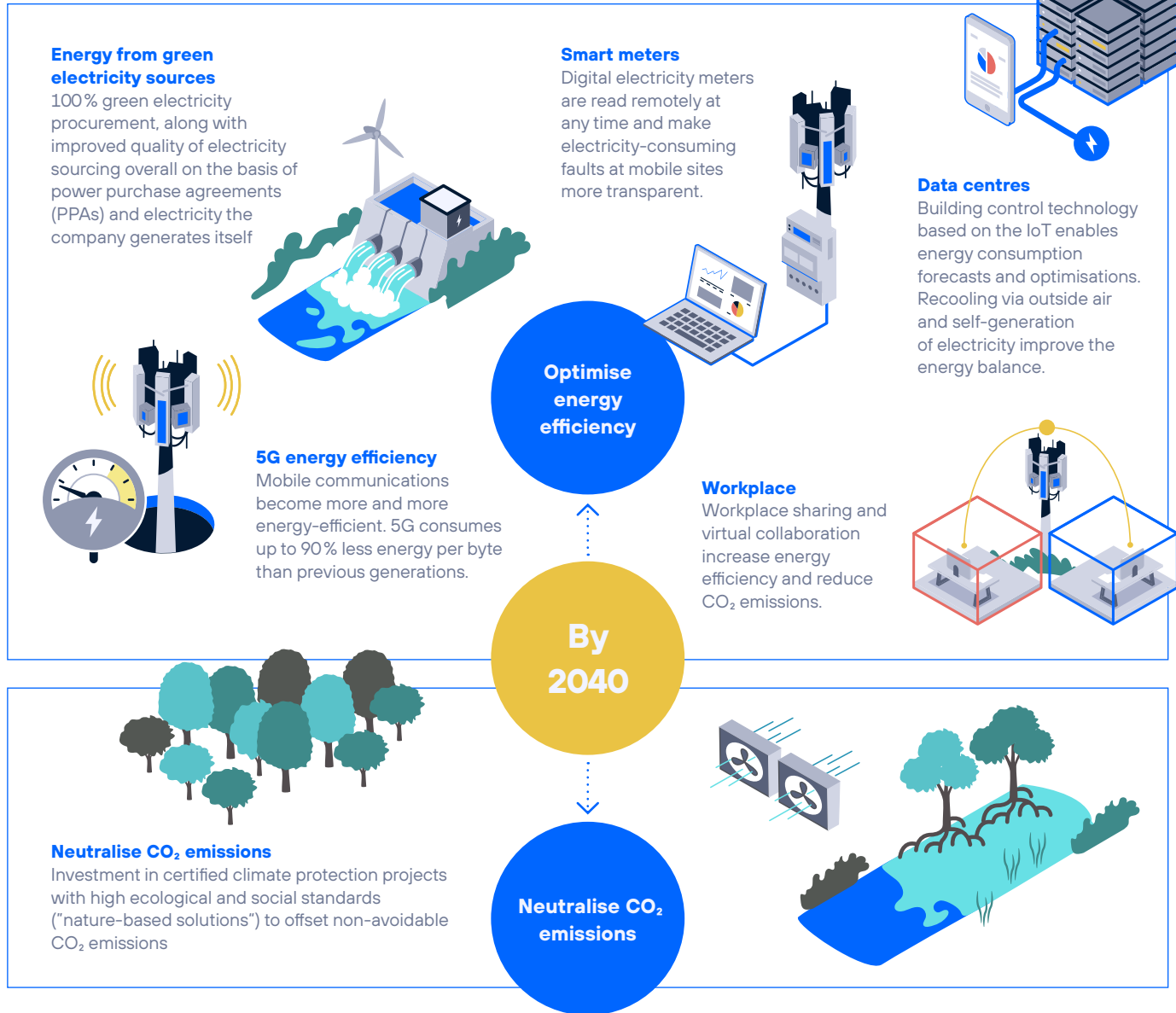
To achieve the offsetting of Scope 1 and Scope 2 emissions by 2025 at the latest, the Telefónica Deutschland Group is implementing the following concrete measures, which are underpinned by annual interim goals:

- 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 electricity¹. It is seeking to improve the quality of electricity sourcing overall on the basis of power purchase agreements (PPAs) and electricity it generates itself. From 2025, two-thirds of the anticipated electricity requirements are to be covered with the help of PPAs. Two large PPA deals for the direct procurement of wind power have already been concluded to this end and will come into play in 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.
- The Telefónica Deutschland Group has been gradually offsetting emissions which are unavoidable with high-quality carbon reduction projects since 2021, preferably projects that remove carbon from the atmosphere.

¹ The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.

G 06: Target: net zero emissions by 2040

A selection of the measures



Less and less electricity per byte

5G works more energy-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 and data volumes. This presents the company with major challenges, among other things due to energy prices having remained high throughout the reporting year. 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 achieve a high level of sustainability in Germany's telecommunications industry. Here, it aspires to offer its customers a "green" network in the future.

Climate protection is relevant to business success

With the target of net zero emissions by 2040 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.

The Telefónica Deutschland Group recognises that climate change involves real risks for the company. These risks can be physical in nature on the one hand, such as risks for the mobile communications infrastructure due to more frequent extreme weather events, and be caused by regulation (transition risks) on the other. The latter includes, for example, ever increasing energy prices due to greater carbon taxation. The Telefónica Deutschland Group is also aware that climate change engenders opportunities which should be tapped. These include the possibility of tapping new markets with lower-emission products and services. The company is currently working on this intensively (see “Circular economy” section).

The aim of standardised and transparent reporting on climate risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) is to reduce the risk of financial effects on the capital markets caused by climate change and to prepare businesses for the consequences of climate change. The next section takes a closer look at the climate risks and opportunities of relevance to the Telefónica Deutschland Group based on the TCFD recommendations.

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](#) and the newly adopted Low Carbon Procurement Guideline. These are aimed at its business processes in the areas of the network, office spaces, shops and 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 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 (Supply Chain Sustainability Policy (SCSP) and the environment annex), 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 & Corporate Affairs and are adopted collectively by the Management Board.

The Telefónica Deutschland Group adopted the new Low Carbon Procurement Guideline in 2023. This applies to the purchase of internally used products with an annual purchase value of more than EUR 3 million, such as network technology, heating and air conditioning technology, and data centre equipment. This stipulates that product selection must take into account not only the acquisition costs, but also the energy and carbon costs throughout the life cycle. In this way, the company is increasing the climate-related requirements made of its suppliers.

The company offers its employees training on all the topics mentioned in this section. There is online energy and environmental training and, since the end of 2023, also training on lower-carbon procurement. The Telefónica Deutschland Group once again held a workshop on the purchasing guidelines applicable to lower-carbon procurement for the departments this relates to such as Purchasing and Technology in the reporting year.

Processes to manage climate-related risks and opportunities

As part of the Telefónica Deutschland Group’s risk management model, climate-related risks are directly linked to the Group’s strategic decisions.

The Telefónica Deutschland Group’s relevant departments report on their climate topics, including climate-related risks, to the general risk management unit on a quarterly basis. The company thus integrates these risks and carries out a net assessment with regard to the potential risks arising from



non-financial topics. 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 Management Board of the Telefónica Deutschland Group is notified of the results. Should new climate-related risks come to light or risk assessments change, these are analysed and appropriate measures are introduced if necessary. The company additionally reports to the Telefónica, S.A. Group regarding climate-related risks as part of Group-wide risk management.

To guarantee a comprehensive risk identification methodology, the Telefónica Deutschland Group assesses its risks both globally (top-down) and locally (bottom-up). The bottom-up approach is based on risk self-assessment, with the local managers being responsible for identifying the risks in their areas.

Climate-related risks are assessed on the basis of a holistic approach and are considered from four different perspectives: local risks (bottom-up), global risks (top-down), process risks and project risks. The risks are primarily assessed using the top-down approach, supplemented by assessments of specific sites (bottom-up). Global risks are defined as "basis risks" and are assessed and regularly reviewed by the global operating divisions (Compliance, Strategy, etc.). Climate change is one of the global basis risks and has the potential to influence the Telefónica Deutschland Group's infrastructures and divisions in the short, medium and long term. In addition to the direct impacts of climate change (physical climate risks), companies are confronted with substantial challenges arising from adjusting to growing environmental awareness and increasing regulations and obligations in the area of sustainability, otherwise referred to as transition risks. These can, however, also present opportunities (see table).

The prioritised risks and their results are incorporated into long-term business decisions. The decisions regarding which risks are to be prioritised in general risk management are based on the financial impacts estimated in the risk assessment and their influence on operating efficiency, access to new markets, reputation, etc. As climate-related risks fall below the Telefónica Deutschland Group's threshold for significant risks, they are not reported in section 1.3 "Risk management" of the [Annual Report](#) 📄.

Suitable measures and management solutions are developed both top-down and bottom-up. In the case of a bottom-up approach, the local managers are responsible for defining the specific reactions in their areas. They must present suitable plans for risk reduction as well as for avoiding and/or transferring these risks.

This strategy enables the Telefónica Deutschland Group to adapt to both physical and transition risks. It therefore most closely reflects the overarching objective of minimising risks and optimising opportunities.

STRATEGIC PRIORITIES

Evaluating the risks and opportunities related to climate change

Climate-related risks are assessed in line with the TCFD recommendations and taking into account different climate scenarios. Risk assessment is expressed in quantitative form where possible. The potential impacts of the risks are measured in terms of cash flow from operating activities. The Telefónica Deutschland Group analysed the scenarios and assessed its resilience on the basis of the different IPCC scenarios. The TCFD considers it essential that standardised scenarios developed by independent institutions such as the IPCC be used. This makes it easier for investors to compare companies' climate resilience. To this end, the climate scenarios RCP 2.6 (temperature increase not exceeding the two-degree mark by the end of the century) to RCP 8.5 (temperature increase of four degrees by the end of the century) were analysed, taking into account time frames up to 2030, 2040 and 2050.











As recommended by the TCFD, the Telefónica Deutschland Group divides climate risks into the two categories transition risks and physical risks. Transition risks comprise changes in legislation, policy and the market. The transition risks include emission reductions, a carbon levy and changes in the price of energy. In addition, it is important that not only regulatory changes but also changes in the market situation be considered. These include changes in the supply and demand volumes for certain products or services.

Physical climate risks were analysed and considered in detail in 2023 on the basis of the IPCC's climate scenarios. The acute physical risks include extreme weather conditions such as floods, storms and heavy rainfall. The consequences of these extreme weather conditions could lead to considerable challenges for the Telefónica Deutschland Group's infrastructure in the short and long term. The chronic physical risks include long-term climate changes, long-term changes in precipitation, a rise in the sea level and an increase in the average temperature (above all heat stress). Adaptation to these circumstances is essential for the company to be able to continue to offer customers the usual products and services and this therefore constitutes an important part of its risk assessment.

As well as risks, the Telefónica Deutschland Group recognises opportunities both for its internal energy management and for the company's growth based on the sale of lower-emission products and services. The Telefónica Deutschland Group wishes to enable its customers to reduce their ecological footprint with technologies such as the IoT, big data, cloud solutions and broadband connectivity.

Internal opportunities arise from the use of potential future own electricity capacities and further long-term power purchase agreements (PPAs) as well as the plan focusing on network modernisation and the expansion of 4G and 5G. These measures should reduce the company's operating costs in the medium to long term – something which is all the more important considering the sharp increases in energy costs.

G 07: Opportunities and risks of climate change

Climate change risks					
Transition				Physical	
 <p>Regulatory Increase in the price of certain products and services as a result of taxes or levies on sectors on which we are dependent (energy, transport, etc.)</p>	 <p>Technological Need for early withdrawal of assets linked to HVAC or for energy transition to clean energy</p>	 <p>Market Increased energy open, for example, in countries dependent on hydropower</p>	 <p>Reputational More information on this subject from major stakeholders (investors, analysts, customers, etc.)</p>	 <p>Chronic Higher temperatures could entail greater cooling needs.</p>	 <p>Temporary More extreme weather events would increase the business continuity risks.</p>
<p>The physical risks have been analysed in detail by the Telefónica, S.A. Group in a climate vulnerability study.</p>					
Climate change opportunities					
 <p>Resource efficiency Through its Energy Efficiency Plan, the Telefónica Deutschland Group optimises its operating and network costs.</p>	 <p>Eco-smart products and services Connectivity and digitalisation solutions are key for decarbonising other sectors and will allow the company to access new business opportunities.</p>	 <p>Energy sources The Renewable Energy Plan enables the Telefónica Deutschland Group to reduce carbon emissions and the energy costs of the network.</p>	 <p>Resilience The adaptation strategy allows risks and opportunities to be incorporated into the company's strategy, influencing investment decisions, modernisation and network deployment.</p>		



Improving energy efficiency and lowering carbon emissions

The Telefónica Deutschland Group is placing energy efficiency and carbon reduction at the heart of its climate strategy and wants to contribute in this way to the sustainable digitalisation of the economy and society. The Telefónica Deutschland Group is committed to the promotion of a lower-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 (see ["Circular economy"](#) section).


Energy consumption per data volume totalled 0.07 GWh/PB in 2023. The Telefónica Deutschland Group was therefore able to reduce consumption by 83.37% in comparison to the reference year 2015.

100% of the electricity the Telefónica Deutschland Group uses is green electricity¹. To improve the quality of electricity sourcing overall, the company is focusing on electricity it generates itself. Following a successful pilot project, photovoltaic systems are now gradually being installed at antenna sites, enabling the Group to make its own contribution to renewable energy generation.

The Telefónica Deutschland Group also sees huge potential in the area of data centre virtualisation as the efficiency of data centres is dependent among other things on their capacity utilisation and the possibilities of using the waste heat. There is a shift from Scope 2 to Scope 3 emissions in this area due to greater use of cloud services and the resultant switch to external providers. The company wants to use cloud services efficiently and reduce emissions to a minimum. Migration to the cloud additionally offers advantages in terms of scalability and the resource-conserving use of computing capacity.

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 reducing Scope 1 and Scope 2 emissions by 2025. The Telefónica Deutschland Group caused 9,103 tonnes of carbon emissions in 2023 (Scope 1, Scope 2 according to the market-based method and Scope 3.6 (travel activities); 2022: 7,766 tonnes).

In the year under review, Scope 1 emissions amounted to 5,955 tonnes of carbon equivalents. The Scope 1 emissions primarily come from two sources: the fuel consumption² of the fleet and of the emergency standby power systems and fugitive emissions of the refrigerant gases used in the network air conditioning systems. Almost 79% of the fleet had been made partially electric by the end of 2023. The target of 50% was therefore achieved.

The Telefónica Deutschland Group's Scope 2 emissions are primarily caused by the purchase of electricity and district heating, with 100% of the electricity being recognised as green electricity¹ with 0 tonnes of carbon equivalents. Market-based emissions therefore amounted to 234 tonnes of carbon equivalents in 2023. The direct and indirect carbon emission figures (Scopes 1, 2 and 3) can be found in the table of ["ESG data and indices"](#) .

Leveraging Scope 3 emissions potential

Scope 3 emissions are likewise of key importance to the Telefónica Deutschland Group. In accordance with the prevailing standard of the GHG Protocol, the Telefónica Deutschland Group focuses on its five largest Scope 3 categories (purchased goods and services, capital goods, fuel- and energy-related emissions, business travel and use of products sold), which account for over 90% of its Scope 3 emissions. This also includes category 6 "Business travel", which the company can influence directly. The company has been reporting Scope 3.6 emissions (travel activities) for many years. Compared to 2019, the last year that was not restricted by the pandemic, travel activity fell by 30% in the reporting year, including 54% fewer flights and 62% more rail travel. 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 ["Own workforce"](#) section. In its travel guidelines, the Telefónica Deutschland Group promotes a switch to rail travel.

In order to come closer to the goal of reducing Scope 3 emissions by 39% from the reference year 2016 to 2025, the Telefónica Deutschland Group has been using The Climate Choice software platform since 2022. Suppliers are asked to carry out an assessment of climate-related activities and key figures. The resulting qualitative and quantitative data will also serve as a basis for refining the Telefónica Deutschland Group's decarbonisation strategy.

¹ The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.

² 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.



T 04: Energy and CO₂: climate targets

	Unit	2023	2022	2021
Energy intensity: total energy consumption per data volume	GWh/PB	0.07	0.08	0.09
Proportion of total electricity consumption from green electricity ¹	%	100	100	100

¹ The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.

T 05: Energy and CO₂: energy consumption

In GWh	2023	2022	2021
Total energy consumption	803	799	755
Total electricity consumption ¹	777	775	732
of which by the network and data centres ²	760	757	711
of which by offices, shops, call centres	17	18	21
Total fuel consumption ³	26	24	23
Energy from green electricity sources ⁴	777	775	732

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. For technical reasons, smart meters cannot be installed everywhere. A certain percentage must therefore be extrapolated.

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 The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.

Focus on efficient network technology

Network technology accounts for the lion's share of energy consumption in the Telefónica Deutschland Group's mobile communications network. 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. 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. Following a successful test run in the previous year, almost all the sites have been set to the energy-saving mode during low-load periods since 2023. This has allowed energy consumption to be kept constant in spite of increasing data volumes.

Individual transmitters have to be cooled to protect the technology from the negative effects of waste heat and sunlight. Wherever possible, the air conditioning systems at the base stations have been switched to free cooling since the reporting year. A cooling effect is then created by circulating external air, thereby saving on refrigerants and lowering energy consumption.

With smart metering, the Telefónica Deutschland Group is taking another step towards greater energy efficiency: the power consumed by the network is already measured by smart metering systems at many of the sites. The consumption of every mobile network installation equipped with a smart meter is recorded every second and is transmitted to a cloud server via the O₂ network. In the future, 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. A target has been set of equipping 27,000 of the more than 31,600 sites¹ with smart meters by the end of the reporting year (where possible technically). The chip shortage triggered by the coronavirus pandemic meant this target could not be achieved. More than 24,000 sites featured a smart meter at the end of 2023.

Energy-efficient site operation

Over the past few years, the Telefónica Deutschland Group has been working specifically on making the energy supply of its own operational processes as climate-friendly and efficient as possible. To reduce the ecological footprint of the offices and shops, the rented space has been reduced, old technology has been replaced with energy-efficient technology where needed, lighting has been converted to LED, and timers and motion sensors have been installed. All these measures allowed energy consumption at the sites to be reduced.

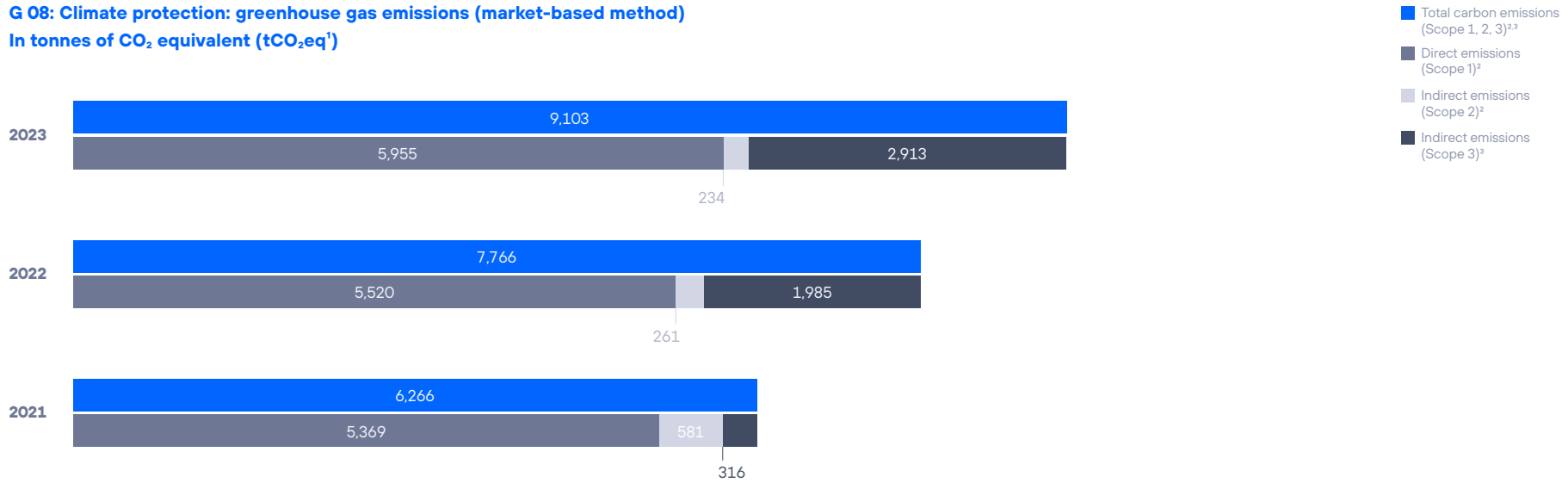
Offsetting of unavoidable emissions

Unavoidable emissions will still ultimately be caused in spite of 100% green electricity² usage, two long-term PPAs, high energy efficiency targets, network optimisation, utilisation of the potential offered by green cloud service providers and similar measures. For example, not all of the refrigerants used in the company's air conditioning systems can be replaced with carbon-free alternatives. The Telefónica Deutschland Group offsets the remaining emissions by purchasing carbon certificates. The projects that qualify for these certificates must be certified according to the [Verified Carbon Standard](#) . The Telefónica Deutschland Group offset 60% of the residual emissions in 2023; it is planned to increase this quota by 20 percentage points every year, which would result in 100% of unavoidable Scope 1 and Scope 2 emissions being offset by 2025.

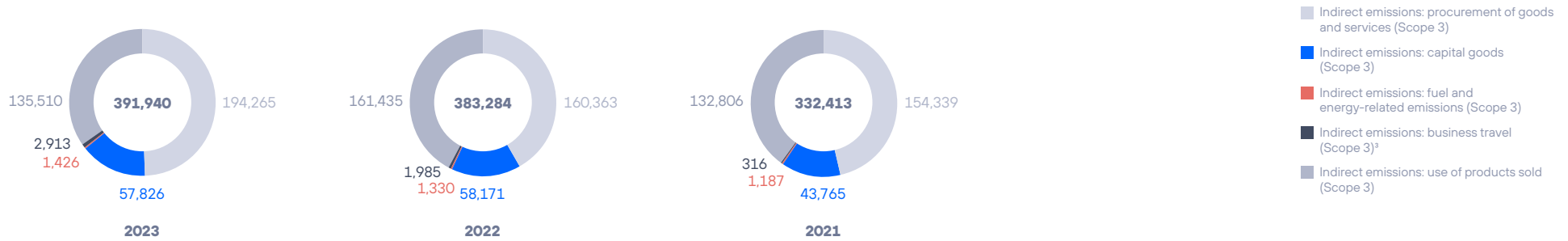
¹ The number of sites only includes sites without a radio link (directional radio repeaters), base station controller (BSC)/radio network controller (RNC) sites.

² The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.

G 08: 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, 684.03 g CO₂ per kWh is used (source: Association of Issuing Bodies (AIB), European Residual Mixes 2022). Information on the site-based method can be found in the table of "ESG data and indices".

³ Scope 3 emissions: other indirect emissions due to business travel (flights and rail travel). The emissions per km for flights and rail travel 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, which are not included. These are listed separately. The focus at the Telefónica Deutschland Group is on business travel, as employees' travelling activities can be directly influenced.



Circular economy

THE KEY FACTS:



A new circular economy strategy is creating the framework for resource-efficient and circular operations.



The Telefónica Deutschland Group is gradually transitioning to eco SIM cards; these are made of more than 90% recycled plastic.



The Telefónica Deutschland Group has been replacing all of its printed product brochures and flyers with digital flyers.

BASIC PRINCIPLE AND CHALLENGES

Focusing on saving resources and avoiding waste

The finiteness of natural resources and the environmental impacts throughout a product's life cycle are examples of the major ecological challenges we currently face. The Telefónica Deutschland Group is conscious of its responsibility to use resources sparingly and therefore strives to establish a circular economy. The Telefónica Deutschland Group examines all the stages of the value chain, from product development and service life to recycling and waste management. It is therefore a question of systemic transformation with the aim of closing loops and reducing the use of raw materials.

A comprehensive circular economy gives a company the opportunity to reduce costs and offer the customers products and services which are produced sustainably and can be used as such. This boosts not only its ability to compete, but also its credibility as a responsible stakeholder within society. Human rights impacts likewise need to be incorporated when considering the entire life cycle of products. Raw material mining can be reduced overall by substituting primary raw materials with secondary raw materials. Such mining, for example for conflict minerals, can involve human rights violations.

The legal and political parameters have already changed significantly due to increasing pressure to act, and regulation will increase further in the next few years: in particular, the design of electrical appliances, placing them on the market and their correct disposal are regulated by an array of laws and EU regulations. There was a particular focus in the past on the tightening of labelling and take-back obligations in accordance with the Electrical and Electronic Equipment Act (ElektroG). For example, the EU adopted an energy label for mobile devices in 2023, which must be implemented nationally by March 2025. In the year under review, the Council of the European Union

proposed a more comprehensive framework for the eco-design of sustainable products and proposed that new requirements be set regarding, among other things, the resource efficiency, durability, reusability and reparability of products. The promotion of the circular economy is also a key aspect of the European Union's Green Deal with its corresponding action plans, among other things regarding the electronics and IT sectors. The EU's Taxonomy Regulation attaches particular importance to a resource-efficient and circular economy and seeks to have a steering effect on investments and capital market activities.

In the materiality analysis performed in 2023, the Telefónica Deutschland Group defined the topic of "Circular economy" together with the related topic of "Resource use" as material to the Separate Non-Financial Group Report for the first time, as it is able to reduce the impacts on the environment and climate by closing loops within its own value chain, thereby also giving rise to financial opportunities by cutting costs and tapping new business fields. This motivated the company to further develop its circular economy concept into a comprehensive circular economy strategy in the reporting year. It also took the new CSRD requirements into account here relating to the disclosure of both quantitative and qualitative metrics, for example regarding target setting or guidelines.

PROCESSES AND MANAGEMENT

Targeted management of resource efficiency

The Telefónica Deutschland Group's circular economy strategy serves as the framework for the gearing of its activities. It focuses on boosting resource efficiency, avoiding waste, reducing the carbon footprint and respecting the bounds of the planet's resources. Workshops involving various relevant departments were held for the purposes of strategy development in 2023. In addition, expert interviews were conducted.



The circular economy strategy is based on the Circular Transition Indicators (CTI) of the World Business Council for Sustainable Development and defines three pillars which are material to the Telefónica Deutschland Group:

1. Improving the incoming circular material flow
2. Promoting eco-design for the reuse of products and materials
3. Improving the outgoing circular material flow

The company's environmental and energy policies, the aim of which is to conserve valuable resources and handle waste and recycling responsibly, are authoritative with regard to the fundamental orientation and management of the circular economy within the Telefónica Deutschland Group. Protecting natural resources is one of the most important areas that the Telefónica Deutschland Group specifically addresses with its environmental management system in accordance with ISO 14001. The Environmental Management Officer, who is a member of the CR&S division, reports to the CR&S Director and also directly to the Chief Officer for Legal & Corporate Affairs regarding measures and target attainment in the context of the Responsible Business Plan (RBP) 2025. Annual management reviews regarding energy and environmental aspects in accordance with ISO standards 14001 and 50001 are discussed directly with the Chief Executive Officer and the Chief Officer for Legal & Corporate Affairs.

The company is also sending a clear signal regarding the conservation of resources with its climate strategy and its targets of offsetting Scope 1, 2 and 3.6 (travel activities) emissions by 2025 and reducing all emissions to net zero by 2040.

The economical use of technical equipment conserves not only energy, but also resources. For example, the use of our partners' efficient cloud servers allows for the optimum capacity utilisation of the technological resources as it results in economies of scale in terms of both energy consumption and resource utilisation. The Telefónica Deutschland Group uses IoT solutions to help companies to, for example, plan and manage the collection of used devices and thereby make their logistics processes more efficient (more on this in the "Consumers and end-users" section). The leasing of, for example, routers likewise offers a means of securely recovering resources.

Becoming a zero-ICT-waste company by 2030

As part of the Telefónica, S.A. Group, the Telefónica Deutschland Group is pursuing the goal of becoming a zero-ICT-waste company¹ by 2030. Raw materials are to be extracted from the waste which accumulates due to information and communication technology (ICT) in the area of network technology and then fed back into the value chain. The following subgoals have been set for Germany in order for this overarching goal to be achieved:

- By 2024 90% of the stationary devices taken back from the customers such as routers will be refurbished and reused.
- By 2025 circularity criteria will be introduced for the customers for all purchases of electronic devices.
- The Telefónica Deutschland Group labels business customer products and services that make a significant contribution to reducing energy, carbon emissions and water consumption and/or to promoting the circular economy with the Eco Smart certification mark. The aim is to continuously increase the proportion of business customer products bearing the Eco Smart certification mark.
- The subgoal of no longer disposing of network device waste as landfill by the end of 2025 has already been achieved.² Recycling waste is mandatory in Germany and disposal is only permitted subject to very specific conditions.

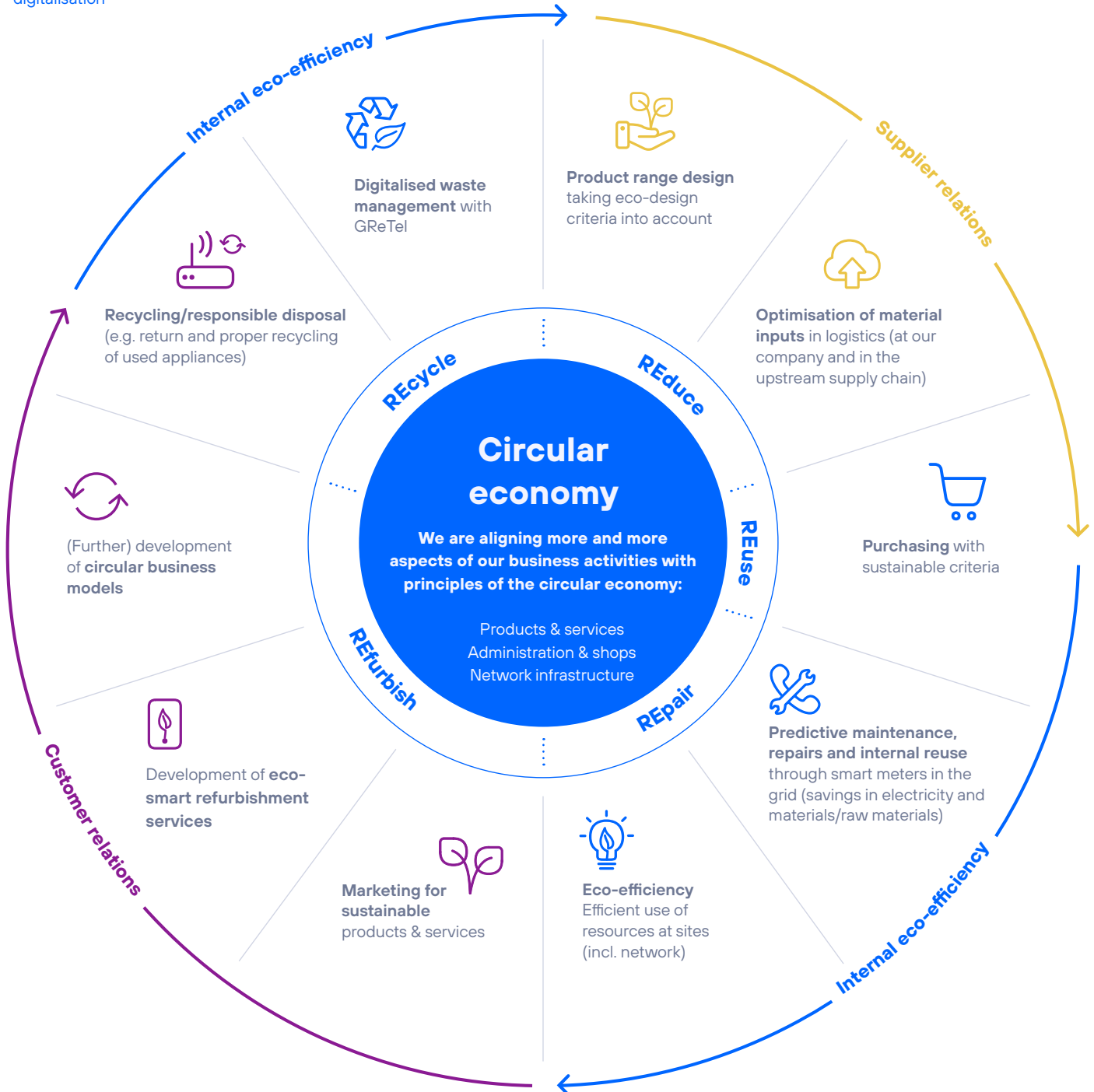
The topic of waste reduction is something that the Telefónica Deutschland Group strives for across all processes and areas. It consistently ensures that all statutory environmental standards are observed when disposing of unavoidable waste. The Telefónica Deutschland Group operates on the basis of its own guidelines in the area of waste management. It documents the relevant waste volumes via the waste management system GReTel (Gestión de Residuos de Telefónica). This system records, among other things, types of waste together with where the waste occurred, the volume, each type's disposal channels and the evidence needed. This additional transparency allows the Telefónica Deutschland Group to effect disposal chain optimisations with a view to directing every waste type to recycling of the highest possible quality while also guaranteeing the best protection of people and the environment.

¹ Zero network equipment waste target: waste diverted from disposal through reuse and recycling (100 % of network equipment is planned to be responsibly resold, reused, remanufactured or recycled by 2025)

² The Telefónica Deutschland Group only gives waste to pre-treatment companies. No waste is sent directly to landfill. Any residual stocks from recycling processes amount to 0.3%.

G 09: Circular economy concept

Improved circular economy through digitalisation





As well as the guidelines outlined above, a series of other guidelines and voluntary commitments assist the company in doing business more resource-efficiently. These include the company's commitment to the UN Global Compact and its environmental principles, the [Human Rights Policy](#) and the [Supply Chain Sustainability Policy](#) including the specifications regarding conflict minerals and the [low-carbon procurement guidelines](#). The Telefónica Deutschland Group additionally obliges certain suppliers to take circular economy steps with the mandatory environment annex. This applies to product- and service-specific contracts that have an impact on the environment (see "[Workers along the value chain](#)" section). Its own employees are given guidance regarding eco-friendly and social business and on advertising materials and printed matter by the "[Guideline for ethically responsible communication](#)".

STRATEGIC PRIORITIES

Considering the entire life cycle of products

Through its brands, the Telefónica Deutschland Group offers business and private customers a broad range of hardware comprising mobile phones and other electronic devices (such as tablets, games consoles and smartwatches) both with and without a mobile communications contract. The enhanced performance and the consolidation of functions in these devices hold resource conservation potential. This includes, for example, replacing cameras or fixed line phones as well as using smart home applications to make day-to-day life energy- and resource-efficient.

However, this benefit is cancelled out if, on the whole, mobile devices are replaced too soon and disused devices are not recycled because the manufacture of mobile phones and electrical devices results in significant environmental impacts when viewed over the life cycle. In particular, mining primary raw materials is very resource-intensive and entails social and environmental risks. The relevance to climate protection is also illustrated when the carbon emissions of the various life cycle phases are considered – around 70 % of emissions are already generated during production.¹

The composition of mobile phones and other mobile devices such as tablets and laptops is complex and correctly making used devices reusable demands high technical standards of refurbishment companies. The Telefónica Deutschland Group rigorously pays attention to these high standards being met when selecting its partners. Another barrier to the circular economy is mobile devices gathering dust in drawers in the workplace or homes, resulting in a lack of recirculation above all of mobile phones and small electrical devices. The illegal disposal of electrical waste in household waste, which harms the environment, and the illegal export of electrical waste

to countries with only very low environmental standards are likewise problematic. The Telefónica Deutschland Group brings the fact that it takes back used devices, SIM cards and batteries to people's attention in its shops and on the [O₂ website](#).

Together with subsidiaries and cooperation partners, the Telefónica Deutschland Group is working to strengthen the circular economy via product range composition and the ecological design of own-brand products, information for the customers and approaches to the reuse and recycling of mobile devices. Raising awareness among and educating the employees is very important too – there were a number of workshops for employees in various departments in the year under review. Among other things, measures were derived here which will henceforth be further developed.

Product range composition and packaging design in accordance with eco-design criteria

In terms of its procurement activities, the Telefónica Deutschland Group focuses first and foremost on selecting smartphones that it wishes to offer the customers. With its [Supply Chain Sustainability Policy \(SCSP\)](#), it obliges its suppliers to comply with high environmental and social standards in everything from the extraction of raw materials and water consumption to production, transport and dealing with waste. Here, the company pays attention to the joint protection of the environment and human rights (for more information, see the chapters "[Workers along the value chain](#)" and "[Implementation of human rights due diligence obligations](#)"). The SCSP and the General Purchasing Terms and Conditions specify requirements regarding the eco-friendliness of the resources used. The Telefónica Deutschland Group additionally expects manufacturers to take eco-design principles and reparability into account as far as possible and to give preference to the use of recycled materials.

The Telefónica Deutschland Group wishes to promote the development and sale of ecologically beneficial mobile communications devices, gadgets and accessories by increasingly putting its product range together in accordance with the principles of a resource-conserving circular economy. The company offers a number of sustainable smartphone models, such as the Fairphone. The manufacturer of the Fairphone sets great store by fair production labour conditions, recycled materials, transparency regarding the raw materials used, reparability, durability and a well-thought-out recycling approach. Two mobile phone models sold by the Telefónica Deutschland Group since the reporting year could be repaired by the customers themselves in the event of damage.

The Telefónica Deutschland Group also wants to further optimise the products offered under its O₂ brand together with their packaging by means of targeted eco-design. Here, there

¹ Source: Greenpeace (2017): "FROM SMART TO SENSELESS: The Global Impact of 10 Years of Smartphones".



will be a particular focus on the next generations of routers: the outer packaging of the O₂ HomeSpot 5G SA router has consisted entirely of (FSC-certified) recycled paper since 2023. The packaging for the O₂ HomeBox router is designed in such a way that it can be forwarded without the need for outer packaging, with an address label simply needing to be applied.

The Telefónica Deutschland Group only dispatches mobile devices and SIM cards in boxes made of recycled material. To reduce transport volumes and avoid packing materials, the parcels are specifically tailored to virtually every device dispatched. In this way, the shipping carton for mobile devices and SIM cards was reduced from an average of 90 grams in 2019 to 30 grams in 2023. In addition, the company dispatches its parcels made of recycled materials to the customers and delivers climate-neutrally with DHL GoGreen. In a pilot project, the Telefónica Deutschland Group is currently testing the degree to which plastic stretch wrap, which is used in the area of pallet dispatch, can be replaced by a paper version.

Another example of resource conservation by means of packaging design is use of the half-size SIM card carrier format. This is half the size and half the weight of the previously used bank card format, thus making the ecological footprint for manufacture and transport smaller and reducing the volume of waste. The Telefónica Deutschland Group issued around 11.9 million SIM cards in this carrier design to customers and partners in 2023, thereby avoiding approximately 24 tonnes of plastic usage in the year under review. The Telefónica Deutschland Group began to gradually transition to eco SIM cards in the reporting year; these are made of more than 90% recycled plastic. In this way, the company intends to reduce the volume of virgin plastic used for SIM cards in the medium term. The eco SIM cards are also being introduced gradually so that the conventional card carriers already purchased can still be used and do not go to waste. Customers can do without a physical SIM card entirely by opting for the eSIM. This embedded SIM connects to the mobile communications network via an electronically transmitted profile.

G 10: A sustainable mobile phone life with Telefónica Deutschland/O₂



¹ Devices purchased from distributors and tablets are not included, unless an Eco Rating is available. Number of all devices in the Telefónica Deutschland Group's current smartphone and feature phone portfolio that are labelled with the Eco Rating.

² For the used mobile phones collected as part of the mobile phone recycling programme, the Telefónica Deutschland Group pays a contribution to NABU e. V. for nature conservation projects. The number of devices collected includes the mobile phones that are fed into the recycling process and that are reconditioned in the reuse process.



Repair service, refurbishment and recycling

The Telefónica Deutschland Group accepts mobile phones that still work as payment through a cooperation partner. Customers can use their used devices as payment via the hotline and online channel and at any O₂ shop – irrespective of where they were originally bought and irrespective of a new purchase. The partner refurbishes the mobile phones and puts them back into circulation. Mobile phones taken back by the company within 14 days of their purchase or as a gesture of goodwill are repaired by another logistics service provider if needed and then sold at a discounted price. In both cases, a data erasure process certified by DEKRA is used.

In all, the Telefónica Deutschland Group was able to refurbish and recirculate more than 42,900 devices in 2023 – the majority of them returned devices. Minor external blemishes, for example, are remedied without an entirely new casing being installed. Customers who have taken out mobile phone insurance cover with the Telefónica Deutschland Group can likewise send in their device for repair. An additional 8,500 devices were repaired in this way in the year under review.

Furthermore, the O₂ mobile phone recycling programme allows consumers to dispose of their used devices responsibly. They can submit their devices at Telefónica Deutschland Group shops, via the online portal www.o2online.de and via the collection points of the cooperation partner Nature And Biodiversity Conservation Union (NABU). In 2023 the Telefónica Deutschland Group additionally brought this option to people's attention with a multi-day campaign entitled "The Art of Recycling" held at the O₂ Studio in the ALEXA shopping centre in Berlin: customers who handed in their old devices were rewarded with a digital artwork based on a 3D scan of their old mobile phone.

The data on working mobile phones is deleted via a TÜV-certified process and the devices are processed for remarketing, where possible, by the non-profit IT company AfB (Work for People with Disabilities). In comparison with the production of a new mobile phone, this causes fewer emissions and requires less metals and energy. Devices which are inoperable, for example smartphones with a broken display, are destroyed by a mechanical shredder. The pieces measuring just a few millimetres are passed on to certified businesses which have been checked by the Telefónica Deutschland Group and which guarantee professional disposal. The Telefónica Deutschland Group was able to collect more than approximately 87,000 used mobile phones through its mobile phone recycling programme in 2023.

Resource efficiency in the area of products likewise determines how the DSL routers returned to the company by customers are dealt with. These devices also undergo a technical inspection

and, if possible, are refurbished to make them as good as new once again. Routers that cannot be refurbished are professionally disposed of. Approximately 25.7 tonnes of electrical waste were avoided in 2023 by refurbishing approximately 51,500 routers.

Information on device features and model ratings

Customer advice and information are key factors in the success of the company's strategy as this is how the products and services are presented to the customers in the context of a resource-conserving circular economy. In accordance with the guiding theme of "Let's Keep the Planet Blue", environmental initiatives at various touchpoints throughout the customer journey are being expanded and communicated, for example regarding the utilisation of used mobile phones. The Telefónica Deutschland Group has also pooled its sustainable customer offerings and information on a microsite in the [O₂ online shop O₂ My Handy](#). In this way, it is pursuing the goal of transparently teaching customers about relevant device features and environmental benefits and informing them about the repair, refurbishment and recycling programmes.

A key approach in this context is Eco Rating product evaluations. The participating manufacturers' model ratings are presented transparently on the O₂ My Handy product page. The customers can therefore see information about mobile devices' durability, reusability, repairability, resource efficiency and climate efficiency at a glance.

The Telefónica Deutschland Group also supports smartphones having longer useful lives by offering, among other things, contract terms of 36 months in the O₂ My Handy programme. Via the Blau brand, the Telefónica Deutschland Group has been offering used devices at special conditions as and when available since 2023.

Lever for resource efficiency in day-to-day business

The principles of the circular economy apply across all processes and areas at the administrative sites and shops too. In view of its size, the company sees it as its responsibility to also use levers to achieve high resource efficiency in the workplace. The Telefónica Deutschland Group develops measures along the relevant material uses in day-to-day business, from the efficient usage of paper and the systematic reduction of packaging waste in canteens and cafes to environmentally sound marketing materials and the IT and office equipment. The recycling rate for operational waste at all shop and office locations was 90% in 2023.



Lowering paper consumption and using recycled materials

To significantly reduce its paper consumption, the Telefónica Deutschland Group developed a digital flyer in 2022 that has entirely replaced the product brochures and flyers printed on paper since July 2023. Prior to the changeover, 3 million flyers were printed on 75 tonnes of paper and distributed to, among other places, the points of sale every year. Together with the start-up Webmag, which is promoted by the company's own start-up accelerator Wayra, the Telefónica Deutschland Group incorporated the flyers into an online platform. Customers can access the online publications using a QR code.

The Telefónica Deutschland Group is also reducing its paper usage in customer services by, for example, seeking to engage in dialogue with the customers via digital services such as apps and assistants and giving preference to sending bills online, for example via the Mein O₂ app. The proportion of online bills¹ was 92.6% at the end of 2023, meaning the Telefónica Deutschland Group achieved its goal for the reporting year of 92%. The company wishes to further increase the proportion of online bills, if possible. For example, new customers who request paper bills are repeatedly made aware of e-billing. All those who use paper bills can find a QR code on the document enabling them to switch to the digital version.

Since 2022 framework agreements in the B2B area have predominantly been documented in digital form. This allows up to 100 pages of paper to be saved per framework agreement document. The documents were previously always issued in duplicate to make a copy each available to both the customer and the Telefónica Deutschland Group. The archiving of hard copies of these documents has now been eliminated. This also saves the documents being sent by post between the customer and the company as well as between different company sites.

The Telefónica Deutschland Group is making it easier for its employees to save paper by promoting digital document administration. Only recycled paper with Blue Angel certification is used in the offices. A comparison of virgin fibre paper and recycled paper illustrates the potential to conserve resources – recycled paper completely does without wood as a primary raw material and, according to the [Blue Angel](#) initiative, around 70% less energy and up to 80% less water is used per recycled paper. Just under 10% of the 2023 waste volume was paper and card waste. The Telefónica Deutschland Group had 100% of this recycled.

Reducing canteen and cafe packaging

The RECUP deposit system for to-go coffee cups is established at the sites with a canteen or cafe, avoiding single-use waste and conserving resources. For hot meals too, only reusable packaging is now employed. With the REBOWL system, leftovers are placed in packaging with a lid and can also be taken home.

Reducing hardware and refurbishing used devices

Used hardware at the Telefónica Deutschland Group offices, call centres and data centres is continuously being replaced with models that are new, more powerful and more energy-efficient. The professional disposal or reconditioning of used laptops, monitors or printers is seen to by an IT service partner.

External employees are afforded access to the Telefónica Deutschland Group's virtual desktop infrastructure. This allows them to access the company's network and applications using their own devices, meaning they no longer need laptops provided by the Telefónica Deutschland Group. This reduces the hardware needs. Around 138 tonnes of carbon emissions were eliminated in this way in the year under review.

Changeover to more sustainable office materials

The procurement of consumption-based materials is subject to the [low-carbon procurement guidelines](#) and the [Supply Chain Sustainability Policy](#). The Telefónica Deutschland Group examined its core range of consumption-based office materials in 2022 and switched to more sustainable products such as FSC-certified paper wherever possible. The article stock will continue to be reviewed. The "[Guideline for ethically responsible communication](#)" additionally applies to the company. The company realises the sustainability requirements as stipulated in this guideline by, for example, eliminating plastics or printed communication materials wherever possible.

¹ Proportion of all online bills labelled in the billing system in relation to the total bill quantity.



Resource-efficiently modernising the network infrastructure

The Telefónica Deutschland Group operates its mobile communications network with around 31,600 mobile network sites¹. Of these, some 20,200 sites (roof and tower sites) and their passive infrastructure are owned by tower companies,² while the Telefónica Deutschland Group owns the facilities' technology. Responsibility for this active infrastructure (antennas, cables and system technology) of all the mobile network sites lies with the Telefónica Deutschland Group. The volume of materials used for network expansion involving antennas, cables, steel structures, etc. and the volume of waste generated by conversion and dismantling work are accordingly high. As there are only a few suppliers who provide the necessary network components, the scope for action in the area of purchasing is limited. The company therefore focuses primarily on the resource-efficient modernisation of the network infrastructure and the correct disposal of electrical waste and metals in order for them to be recycled.

In the course of the modernisation of its network infrastructure, the Telefónica Deutschland Group performs dismantling when a change in technology is effected or when sites are expanded. For the time being, sites that may be relevant in the future as 5G sites are not being dismantled. Dismantled base station technology that still works is reused if technologically prudent. Dismantled technology which cannot be reused is recycled quickly and efficiently with the assistance of a specialist recycling company.

Valuable raw materials such as iron, aluminium and non-ferrous metals are extracted from the electronic waste as far as possible and, in the case of large yields, can be fed straight back into the economic cycle. Residual waste is disposed of properly in accordance with the applicable statutory provisions. Recycling is performed in accordance with the environmental certification as per ISO 14001, which aims to guarantee professional and verifiable recycling. Furthermore, the electronic waste is collected and taken to a recycling plant with the assistance of efficient transport logistics that avoids empty lorry runs and aims to reduce carbon emissions.

The volume of waste from electronics and electronic devices related to network operation, offices and customers³ amounted to around 1,192 tonnes⁴ in 2023 (2022: 1,201 tonnes). The Telefónica Deutschland Group passed 100 % of this on to professional disposal companies for recycling.

¹ The number of sites only includes sites without a radio link (Rfu repeater), BSC (Base Station Controller)/RNC (Radio Network Controller) sites.

² Tower companies are generally founded by mobile network operators in order to jointly use infrastructure, thereby enabling faster and more cost-effective network expansion.

³ The amount of waste of electronic and electrical equipment from customers includes the returned quantity of mobile phones/ EAGs.

⁴ This solely comprises recycling and not electrical waste outright. Compared to previous years, monitors and refrigerant gases have been included since the 2022 reporting year. The previous year's figures are therefore not comparable.



Environmental aspects: commitment, targets and status in the reporting year

Below, the targets, commitments, performance indicators and ambitions are listed for the area of action focusing on climate and the environment from the Responsible Business Plan 2025. Detailed information about this plan, which forms the foundation of the Telefónica Deutschland Group's sustainability strategy, can be found in the "Strategy" section.

Climate and the environment

"Offering the greenest network for our customers"

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
100 % compensation of unavoidable Scope 1 and 2 emissions from 2025	Direct emissions (Scope 1) with refrigerant emissions + indirect emissions (Scope 2) – market-based method (tCO ₂ eq)	5,689	6,190	7,350

Energy and CO₂

"We will use the options offered by digitalisation in all areas to reduce energy consumption and avoid carbon emissions."

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
Reduction of Scope 1 and 2 carbon emissions (base year: 2015)	Carbon emission savings in comparison to 2015 (Scope 1: direct emissions from own or controlled sources; Scope 2: indirect emissions from the generation of purchased energy)	-95%	-97%	-95%
Reduction of Scope 3 carbon emissions (base year: 2016)	Carbon emission reduction in the upstream and downstream value chain in comparison to 2016		+14%	Until 2025: -39%
Reduction of energy consumption per data volume (base year: 2015)	Reduction of energy consumption per data volume represents the change in energy intensity in comparison to the 2015 base year. Energy intensity is calculated as follows: total energy consumption (electricity and fuel consumption)/data volume per petabyte.	81%	83%	84%

Circular economy

"We will align more and more aspects of our business activities with the principles of the circular economy."

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
B2B solutions certified with the Eco Smart certification mark	Total number of B2B solutions certified with the Eco Smart certification mark in comparison to the total number of B2B solutions in the portfolio	> 50%	63%	55%
Percentage of mobile phones with an Eco Rating	Total number of mobile phones assessed with the Eco Rating in relation to the total number of mobile phones in the portfolio	80%	40%	-
Mobile phone purchase	Total number of mobile phones collected internally or from customers for refurbishment and subsequent reuse purposes	5,000	≈ 7,800	10,000

[Click here for ESG data and indices.](#) ↗



Social aspects

Own workforce

THE KEY FACTS:

-  In the external audit for participation in the Corporate Health Award, the Telefónica Deutschland Group was rated "excellent" for the sixth time.
-  When recruiting new employees, the Telefónica Deutschland Group in collaboration with the 2hearts cooperation specifically addresses people with a migrant background.
-  Employee satisfaction is rising: in 2023 there was a year-on-year increase of 11.8 points, resulting in an eNPS of 78.0.

BASIC PRINCIPLE AND CHALLENGES

Guidelines for the digital working world

The Telefónica Deutschland Group wishes to advance the digital working world as an attractive employer. To do so, the company creates a framework within which the approximately 7,800 employees can optimally apply their diverse skills and take advantage of the opportunities offered by digitalisation. Here, the company focuses on hybrid collaboration, flexibility and productivity in order to accelerate the digital transformation – all while considering the individual employees' needs as well as the company's contribution to society. In this way, the Group wishes to strengthen its competitive position, safeguard its ability to innovate and rise to the challenges posed by the shortage of skilled workers.

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 most 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. Implementation of the hybrid working model which the Telefónica Deutschland Group introduced as the new collaboration standard after the pandemic was a success in the reporting year. Many employees continue to work together productively online, but in-person meetings are nevertheless still important (details of the 5 Bold Moves can be found in the "Strategic priorities" section).

High-quality training and professional development at the stages of life

The Telefónica Deutschland Group wishes to offer its

employees high-quality training and professional development opportunities at all stages of life in order to boost their long-term employability with future-oriented skills. 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, 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.

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 previous years such as interactive virtual live sessions were used again in 2023. It was additionally once again possible to organise executive development meetings or team building and team development meetings as in-person meetings.

Comprehensive health programmes

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 consciously assumes responsibility for the health and occupational safety of all its employees. The company therefore engages in comprehensive health management to promote the health of its employees and prevent work-related illness and workplace accidents.



With there currently being multiple overlapping crises with the war in Ukraine, war in the Middle East, 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 such as mental training and relaxation courses. Comprehensive digital programmes aim to promote the health of all the employees.

Success founded on diversity

The Telefónica Deutschland Group attaches particular importance to equal opportunity and diversity. It firmly believes that diversity makes the company more innovative 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. With the directorate Corporate Innovation, DE&I and Culture with responsibility for the topics of diversity, inclusion, innovation and culture, the Telefónica Deutschland Group is increasing the degree to which these topics are embedded in the company (for more information, see the ["Preventing discrimination and promoting diversity"](#) section).

The company sets great store by interactions founded on fairness, working together as partners and an inspiring motivating work environment. 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. Using various initiatives, it seeks to inspire young talent in particular, for example people with a migration background, and promote their development. Qualified junior staff with different perspectives and backgrounds ensure a good generational balance and are an important prerequisite for innovation.

A good gender balance is especially important to the company: 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.

Concerted efforts

Employee engagement is a key factor in the success of the Telefónica Deutschland Group – and the potential of the approximately 7,800 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 therefore creates a work

environment to which the employees actively contribute with their achievements, their ideas and their social engagement, for example during a volunteering week on the topics of education and inclusion. The employees are also personally involved in emergency aid, among other things for refugees from Ukraine and with donations for the earthquake regions in Syria, Turkey and Morocco.

PROCESSES AND MANAGEMENT

HR development and organisational development combined

The Telefónica Deutschland Group changed the name of the Human Resources department to Organizational Development & People (OD&P) in 2023. The new title goes hand in hand with a strategic realignment: in addition to handling the traditional HR topics, the team is instrumental in advancing the company's cross-departmental further development and transformation. Among other things, this involves making the core processes more efficient as well as freeing up resources and unleashing potential for growth topics.

On the Management Board, overarching responsibility for the workforce is held by the Chief Organizational Development & People Officer. With the help of its HR strategy, the Telefónica Deutschland Group manages its measures and processes and identifies focal issues. The policies regarding human rights, equality and anti-discrimination contain principles and guidelines for handling its employees. Like the Business Principles, these are binding for all the employees.

Regular feedback from the employees

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 an interim survey conducted during the year known as the Pulse Survey and the annual global Employee Experience Survey. Both of these surveys are conducted online, anonymously and voluntarily among all internal employees, temporary staff, trainees, dual-studies students and working students in 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.



In the employee survey conducted at the end of 2023, the company achieved an eNPS of 78.0, an increase of 11.8 points on the score for the 2022 year-end survey (66.2). Anything above zero means the majority of the employees are happy and would recommend their employer. The eNPS has risen continuously over the past few years. Key drivers for this reporting year include the corporate culture, collaboration within the teams and the high degree of flexibility in terms of working hours and location. The work-life balance also makes a particular contribution to the eNPS.

T 06: Labour-management relations

	Unit	2023	2022	2021
Employee Net Promoter Score (eNPS)	Score	78.0	66.2	60.4
Response rate	%	79	79	77

Other results show that 94% of the employees feel part of a team in the Telefónica Deutschland Group's world of hybrid work. They also feel that progress is being made successfully concerning core transformation topics such as development of key future skills, mobility within the company, and diversity. They also see the topics as the foundations for their own continuing professional development. Of those surveyed, 93% (2022: 93%) 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.

The response rate for the survey was 79% in 2023, representing a steady participation level. Together with the Pulse Survey 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 and derive measures accordingly.

Establishing a feedback and learning culture

According to the 2023 employee survey, 93% (2022: 90%) of the employees had an appraisal of skill and knowledge development with their executive at least once during the year. 69% had such an appraisal at least once every six months (2022: 69%). The Telefónica Deutschland Group intends to further increase these quotas: annual development meetings have been mandatory for employees of Telefónica Germany GmbH & Co. OHG since the reporting year. A new performance management process was introduced for all employees at the OHG company in the previous year, enabling executives to give the employees structured, regular and future-oriented feedback. The development meeting, which is at the heart of the new process, gives employees the opportunity to consider their performance on the basis of concrete dimensions together with their executive, define development goals and establish supporting measures. The objective is to establish a growth- and solution-oriented feedback culture as a culture of learning which promotes further development and is motivational.

The employee survey shows that the opportunities for all staff to develop further are considered fair (86%). There should be further expansion of development options that are targeted and diverse and take employees' specific needs into account. OD&P has been engaging in even closer dialogue with the individual divisions since the end of 2022 in order to supervise the discussions being held there regarding the need for specific expertise and skills, jointly determine where there are still gaps and recommend suitable measures to close these gaps. 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 15.6 hours on training and education in the year under review. This represents a slight year-on-year drop (2022: 16.2).

T 07: Training and education

	Unit	2023	2022	2021
Average hours of training and education per year per employee ¹	Number	15.6	16.2	17.6

¹ The calculations from the financial year 2021 onward were made on the average employee basis of active staff (excluding external consultants and temporary employees) for the Telefónica Deutschland Group's respective reporting year (Ø PIP 2021: 7,403; Ø PIP 2022: 7,054; Ø PIP 2023: 7,305).



Strong representation of the employees' interests

Employee representatives at all the sites advocate for the employees' interests. Germany's Works Constitution Act (BetrVG) affords employee representatives far-reaching authority, thereby strengthening employees' rights. Disabled persons and workers with equivalent status are afforded special legal protection by Book IX of Germany's Social Code (SGB). Their interests are safeguarded by disabled employee representatives within the company. The Telefónica Deutschland Group's Inclusion Officer sees to it that the company's duties to protect and support disabled employees are observed.

The employee protection offered by Germany's works constitution legislation is in many respects considerably better than the protection offered in other European and non-European countries. Irrespective of representation pursuant to works constitution legislation, workers in Germany are entitled to unionise. Trade unions are also represented within Telefónica Deutschland Group offices and on the Supervisory Board of Telefónica Deutschland Holding AG. They co-determine the company's labour conditions. For this reason, there is no need for a specific policy to uphold freedom of association and collective bargaining within the Telefónica Deutschland Group. The right to freedom of association and collective bargaining is part of the Telefónica Deutschland Group's Declaration of Principles on Respecting Human Rights.

Preventing discrimination and promoting diversity

With the [Declaration of Principles on Respecting Human Rights](#), the [Human Rights Policy](#) and the [Diversity & Inclusion 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). In addition, the [Equality Policy](#) 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 directorate was created in 2022 which reports directly to the Chief Organizational Development & People Officer and is responsible for the topics of diversity, inclusion, innovation and culture. The management team wishes to promote diversity regarding perspectives and realities of life across all positions and hierarchical levels.

If the Business Principles, the Declaration of Principles on Respecting Human Rights, the Human Rights Policy or other company policies are violated, for example in the form of bullying, discrimination 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 ["Business conduct"](#) section. The online training provided regarding Germany's General Act on Equal Treatment (AGG), which focuses on anti-discrimination and on promoting diversity and inclusion, is mandatory for all employees every three years. Up to the end of the reporting year, 93.5% of the employees had been given training on the AGG in the past three years, equating to a total of 5,214 training hours.¹

Zero tolerance of forced labour, modern slavery and child labour

The Telefónica Deutschland Group does not tolerate any forms of forced labour, modern slavery or child labour (zero tolerance). All forms of work or service must be founded on voluntariness and may not be performed under threat of punishment. This includes, for example, the use of (physical) violence, the restriction of freedom (of movement), the withholding of wages (incl. recruitment fees) and the confiscation of personal documents. Children under the age of 15 may not pursue gainful employment. Adolescents aged between 15 and 18 who have access to the labour market in accordance with local legislation enjoy special protective rights.

Ensuring fair working conditions

The human right to fair labour conditions includes appropriate remuneration. The Telefónica Deutschland Group's remuneration is competitive and is complemented by additional benefits (see ["Extensive additional benefits"](#) section). Employees receive information regarding the payment of wages in a written and comprehensible form at the beginning of the employment relationship. Wage reductions as a form of disciplinary measure are prohibited. The aim is for these specifications to also apply to workers throughout the Telefónica Deutschland Group's value chain (more on this in the ["Workers along the value chain"](#) section).

Reducing gender pay gaps

The Telefónica Deutschland Group is committed to reducing and eliminating gender pay gaps for work of equal value. 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.

¹ Proportion based on number of employees of the Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation for the training regarding the AGG includes the training completed in the reporting years 2021 to 2023, as this training is mandatory every three years. This means the 2023 figure for completed training is 6,952, which covers 1 January 2021 to 31 December 2023.



The Telefónica Deutschland Group had an unadjusted gender pay gap of 16.5% in the year under review (2022: 18.2%). From 2019 to 2023 the gender pay gap fell by 5.8 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 accurate management of fair pay. There was an adjusted gender pay gap of 1.5% in the reporting year (2022: 1.8%). The Telefónica Deutschland Group is currently preparing for the changes that will be triggered by the EU pay transparency directive, which will result among other things in expanded information and reporting obligations from 2026. The CEO pay ratio¹ was already calculated this year (2023: 39.5).

T 08: Diversity, equal opportunity and non-discrimination

	Unit	2023	2022	2021
Women in senior management (incl. Management Board)	%	32.2	32.1	28.8
Confirmed incidents of discrimination and corrective actions taken	Number	0	0	0
Gender pay gap	%	16.5	18.2	19.5
Gender pay gap (adjusted) ¹	%	1.5	1.8	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 (2023: 7,246).

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

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 OD&P 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 employees² 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 sixth time. The company also received the 2023 special award for health communication here. 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. An additional instruction module has been created for employees who engage in mobile working.

The 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

¹ The CEO pay ratio is calculated by dividing the CEO’s target annual remuneration by the median target annual salary of all employees (excluding the CEO). Median target annual salary means that half of the staff have a higher target annual salary and the other half has one that is lower.

² 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.



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 advice and inspiration. Agreements with the social partners (employee representatives) are covered by formal written works agreements dealing with health and safety topics.

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. The company was able to further establish its hybrid working model in the reporting year. 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 travel¹ – significantly fewer internal business trips

With the increasingly digital way of working and the workplace and work time flexibilisation that come 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. Job flexibility has been proven to promote gender equality and leads to a reduction in income gaps between women and men.²

With the hybrid work model, the company additionally makes it possible for the employees to improve their personal environmental footprint in their day-to-day work. By increasingly working from home and using videoconferences, they are contributing to a reduction in traffic volumes and the corresponding pollutant emissions. In-person meetings nevertheless remain important, in particular in view of the fact that teams now collaborate across multiple sites as a result of the successful Germany-wide recruitment strategy.

To promote open communication within the company, various formats are in place, including involving the Management Board and employees. These include regular digital dialogue meetings with executives and a digital format which gives employees the opportunity to engage directly with the Chief Organizational Development & People Officer and obtain information on changes which are relevant to them, ask questions and give feedback.

Diverse opportunities for diverse people

The Telefónica Deutschland Group firmly believes that diversity enhances not only society, but also collaboration. The company 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 77 different countries, talented young individuals, older members of staff and, for a number of years now, two women on the Management Board.

When recruiting new employees, the company specifically addresses people with a migrant background. Since the year under review, the Telefónica Deutschland Group has been collaborating with 2hearts, a community of people with a migrant background who already work or wish to work in the tech industry. In February 2023 the company sponsored an event at which the more than 200 participants were able to talk to and network with the executives and HR heads of various tech companies. Telefónica Deutschland Group employees were there too, on the lookout for new talent.

Since the reporting year, employees who do not speak German have been able to have the Telefónica Deutschland Group's intranet articles translated into English at the press of a button, enabling them to learn about company developments. This automated service based on the online service DeepL is helping to break down language barriers.

The employees themselves appear to be happy with the opportunities that the company offers: 86% of them stated in the company-wide survey conducted in late 2023 that they experienced pronounced equal opportunity when it came to development and promotion prospects. The flexibility of being able to decide themselves when and where they work in Germany makes the Telefónica Deutschland Group 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 (for more information on the programme, see the "Teaching digital skills" section).

¹ Reduction in business trips between national and international Telefónica sites by 70% in comparison to 2019. For more information, see the "Climate change" section.

² Source: Nobel laureate Claudia Goldin on flexibility, equal opportunity and "greedy work" | *manager magazin* ([manager-magazin.de](https://www.manager-magazin.de)).



Improved career prospects for women

Increasing the proportion of women in management positions is a key concern for the Telefónica Deutschland Group – the company just missed its target of having more than 33 % women in senior management by the end of 2023, achieving a level of 32.2%. 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 on the bonus system in the “Business conduct” section).

The Telefónica Deutschland Group is a member of the Advisory Council of the initiative #SheTransformsIT, which champions the increased presence of women in digitalisation. Within society, it is also actively involved in the Chef:innensache initiative which promotes equal opportunity for women and men.

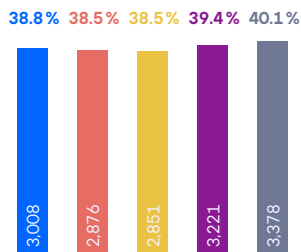
Teaching digital skills

The Telefónica Deutschland Group wishes to offer all employees the opportunity to grow personally and professionally. One of the initiatives developed with this in mind is the Digital Basics Learning Journey. 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.

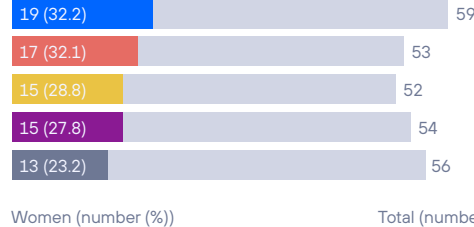
To do justice to one of the programme’s key aspirations – the inclusion of all employees – e-training is made available to the target group of sales and call centre agents that can be incorporated into their work reality well in terms of format, duration and content. From autumn 2022 to spring 2023, all the employees were also offered additional live dates covering the latest developments relating to the metaverse, automation and artificial intelligence, with ethical issues likewise being addressed such as the conflicting priorities of automation and job development. Telefónica, S.A.’s talent and

G 11: Diversity¹

Women in the company as a whole
Number and %



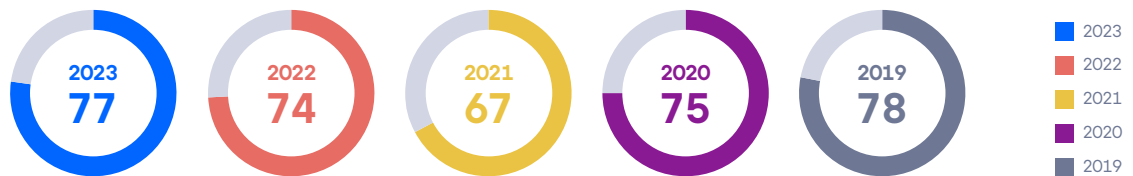
Senior management at reporting level 1
(incl. Management Board)



Women on the Management Board
in %



Nationalities of employees
Number

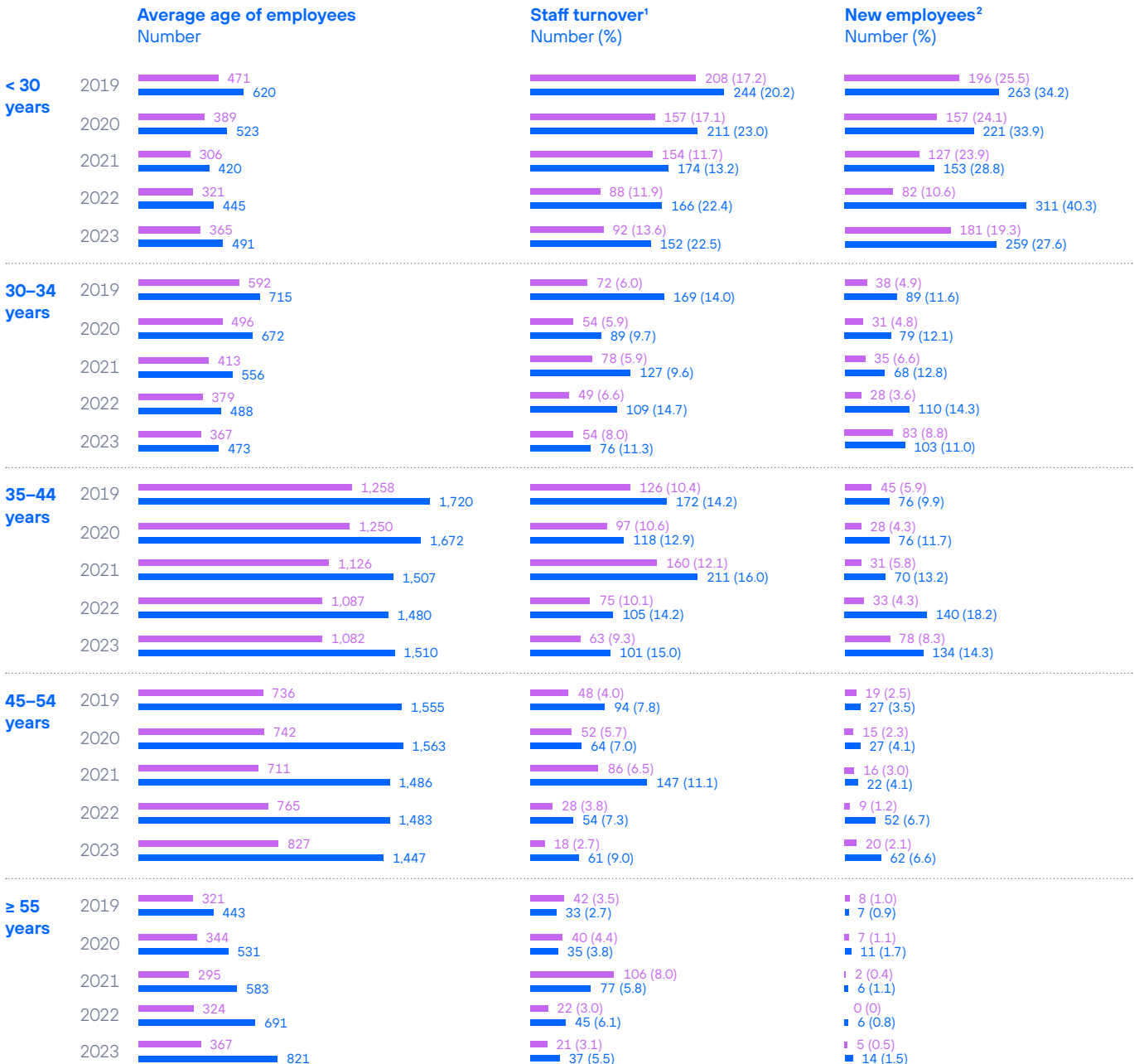


¹ Non-binary employees (< 10) are tracked for the company, but not publicly disclosed due to data protection reasons.



G 12: Employee key figures

Women Men



Total	2019	2020	2021	2022	2023
Average age of employees	Ø 40.9 years	Ø 41.7 years	Ø 42.4 years	Ø 42.7 years	Ø 43.0 years
Staff turnover ¹	1,208 employees (14.0%)	917 employees (11.1%)	1,320 employees (16.9%) ³	741 employees (10.0%)	675 employees (8.8%)
New employees ²	768 employees (9.0%)	652 employees (7.9%)	530 employees (6.8%)	771 employees (10.4%)	939 employees (12.3%)

¹ The basis is the number of employees who left over the period from 31 December 2022 to 31 December 2023/mean PIP value at the five reporting dates 31 December 2022, 31 March 2023, 30 June 2023, 30 August 2023 and 31 December 2023.
² The basis is respectively the number of new entries over the period from 1 January to 31 December of the relevant financial year.
³ The 2021 turnover rate was elevated due to the sale of TGCS Essen & Potsdam GmbH and TGCS Berlin. If the 2021 figure is adjusted for the sale, the turnover rate was 9.9%, meaning the turnover level can be considered stable.



innovation hub Universitas likewise introduced a new global digital learning programme in 2023, teaching the digital basics in the areas of data-centric organisations, industry trends, a growth mindset and digital thinking in masterclasses and courses lasting a number of hours.

More than 3,800 employees have participated in the Digital Basics Learning Journey since the programme was introduced in 2021, thereby further expanding their knowledge concerning the fundamental topics and trends of digital transformation. With the Agile Learning Journey learning programme launched in the previous year, the Telefónica Deutschland Group is pursuing the goal of offering all employees and executives uniform learning opportunities on the topic of agile ways of working. The programme comprises learning formats along three different paths – there are self-learning, deepening and expert formats. The expert path includes certified further development for employees to become a scrum master or product owner. 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. Key offerings on the topic of data and artificial intelligence were likewise continued together with the long-standing cooperation partner StackFuel. More than 500 employees have undertaken continuing education and training with the aid of StackFuel since 2020 and can now handle activities that require greater data skills all the way through to programming. In total, more than 1,200 employees¹ were reached with this and other key upskilling learning opportunities in the year under review (not including LinkedIn Learning).

Coaching, too, is an integral part of the employees' further development. During the reporting year, a total of 20,844 hours of coaching were given in the company in addition to the 113,731 hours for training and development in 2023.

The Telefónica Deutschland Group uses BEYOND, a platform based on artificial intelligence, to promote internal mobility within the company. The employees are presented with suitable development opportunities based on their skill profiles, such as vacancies, job rotations or project assignments. In this way, the Telefónica Deutschland Group encourages its 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. The BEYOND platform was updated to a new version in 2023, leading to an improvement in functionality for the users. In addition, the option of part-time job rotation was introduced this year, to offer even more employees the opportunity of a temporary job change. Employees can now use up to 40% of their available capacities for a job rotation, meaning they no longer have to completely switch roles. In the year under review, almost 38% of the vacancies were filled internally and there were more than 90 job rotations.

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 role as the drivers of change, efficiency and engagement and to make ongoing further development available to them too. Other supportive measures for executives in 2023 included individual coaching and team workshops together with professional trainers. There was also work in 2023 on implementing the individual development plans which resulted from the development audits conducted with the top 200 executives in 2022.

The Telefónica Digital Transformation Program involving young experienced talent now has new groups starting all the time. 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 local and international project assignments and job rotations within various divisions as well as at the company's own Wayra start-up accelerator. 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 63 new recruits in 2023 – 2.5 times as many as in the previous year. 121 talented young employees are currently active. 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 63% was achieved in 2023. Some trainees chose other options in spite of being offered a position at the company, for example deciding to pursue a new challenge in a different industry. The Telefónica Deutschland Group continues to strive to increase its trainee retention rate.

Taking care of health

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 2023 there was a focus in particular on the preservation of health when working from home. The online offerings in the form of motivational speeches, sports and relaxation courses, and Deep Dive Workshops were mostly recorded, meaning the employees could retrieve the content from anywhere and at any time via an online media library.

The new O₂ Telefónica Feel Good app was launched in 2023. This app serves as the digital basis for needs-based and targeted offerings in the area of prevention-oriented health

¹ Those employees who have at least once completed training offered by the upskilling learning opportunities (StackFuel, data journey, agile journey, Digital Basics and cloud journey)



promotion and offers the employees an easy entry point into the Telefónica Deutschland Group's Feel Good programme. This app will henceforth serve as the basis for the digital Feel Good offering and Group-wide challenges. It was used in the O₂ Telefónica Run+ and in the Feel Good Mental Health Challenge. Approximately 30% of the workforce participated in the challenges.

As part of a firmly established health campaign, the Telefónica Deutschland Group once again offered its executives innovative mental training in 2023 in order to enhance their mental health. In addition, the training for executives on mental health in the digital (hybrid) work environment introduced in the previous year was regularly offered. 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 5.2% in the year under review, which represents a slight reduction. On the one hand, the number of employees rose during the reporting year, while, on the other, both the total number of sick days and of workplace accidents resulting in lost days decreased. The majority of the accidents were commuting accidents. These primarily related to employees travelling in commuter traffic. The Telefónica Deutschland Group is unable to prevent these commuting accidents, but it does precisely monitor accident reports in order to be able to react quickly if accidents occur more frequently in the company's sphere of influence. The employees are taught about occupational health and safety and about accident prevention in webinars and can also participate in driver safety training offered by the employers' liability insurance associations. The rate of lost days due to workplace accidents was 4.7% in the reporting year.¹

No occupational diseases were reported for the employees of the Telefónica Deutschland Group in 2023. The employers' liability insurance associations and other statutory accident insurance organisations keep a Germany-wide list of recognised occupational diseases and record all the reports made by employees, health professionals and businesses.

T 09: Employee health and safety

	Unit	2023	2022	2021
Absenteeism rate ¹	%	5.2	5.9	4.9

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 2023: 7,644).

Human rights and environmental risk analysis for own business area

The Telefónica Deutschland Group performed a risk assessment in accordance with the specifications of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) for the first time in 2022 and repeated this in 2023. It included both the protected legal positions as per the LkSG and the risks on the basis of the minimum safeguard requirements of the EU Taxonomy Regulation² in its assessment.

The company drew on a combination of internal data such as risk assessments from the previous years or risk and impact assessments from Telefónica, S.A. and external data including studies, databases, media reports and audit results as its data basis.

The Telefónica Deutschland Group assessed the risks from the perspective of those affected and prioritised them on the basis of set criteria. It assessed the risks' severity (degree of negative impact, number of people affected or size of the environmental areas affected, irreversibility) and probability of occurrence. It was then determined which levers the company has to minimise or prevent risks. In addition, the part the Telefónica Deutschland Group plays in causing the risks and its ability to influence them was evaluated.

The results of the risk assessment were shared within the company in the form of a risk booklet. The booklet contains an overview of the priority risks, a heat map with an overview of all the risk assessments, deeper analysis of the individual risks, and the underlying methodology.

The Telefónica Deutschland Group also discussed the risks with internal stakeholders and risk owners and validated them. Appropriate preventive measures were also identified and planned. In addition, the Management Board was notified of the risk assessment results.

As part of the risk analysis for 2023, Telefónica Deutschland has not identified any priority risks in its own operations. However, the company has identified two risks that will be addressed regardless.

¹ The rate of lost days is calculated by dividing the number of days lost due to accidents at work by the total number of working hours per year multiplied by 200,000.

² What are known as the minimum safeguards as per Article 18 of the EU Taxonomy Regulation are designed to ensure that a business activity can only be classified as "sustainable" (compliant with the Taxonomy Regulation) if it also meets international human rights standards and provisions regarding topics such as bribery and corruption, taxation and fair competition.




- We actively work on mitigating the risk of unequal treatment in employment (see [“Own workforce”](#), in particular [“Preventing discrimination and promoting diversity”](#) section).
- We maintain a high occupational health and safety standard to manage risks of accidents in network deployment, particularly with a focus on technicians conducting work at heights or underground (see [“Own workforce”](#), in particular [“Taking care of health”](#) section).

As the next step, preventive measures will be developed together with the departments involved.

Overview of human rights preventive measures for its own workforce

The Telefónica Deutschland Group has made a commitment to respecting human rights all along its value chain in its Declaration of Principles. The Declaration of Principles was comprehensively overhauled in 2023 with the involvement of the relevant internal stakeholders in order to reflect the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). It explains the Telefónica Deutschland Group's human rights and environment-related areas of action and describes all the components implemented as part of the due diligence system for human rights. The Declaration of Principles was signed by all the Management Board members.

The Telefónica Deutschland Group's [Human Rights Policy](#)  explains the company's obligations to uphold human rights and establishes the related general principles and guidelines. It lays out in detail action guidelines for the key stakeholder groups, such as the customers, employees, society and business partners. The policies mentioned are regularly reviewed and, if necessary, adapted.

The Telefónica Deutschland Group produced a manual covering its human rights strategy for the employees in 2023. This defines the processes and structures of the due diligence system that must be adhered to in order to fulfil the human rights due diligence obligations as per 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. The manual was made available to all the employees on the intranet.

95.1% of the employees¹ 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 also place a greater focus on environmental, social and governance (ESG) aspects (see [“Business conduct”](#) section).

Together with other training, 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 due diligence system. It has been available to all the employees in the company-wide training portal since 2023. All the Management Board members have committed to participating in the training. The training is also available to suppliers on the [website \(human rights\)](#) . More information can be found in the [“Workers along the value chain”](#) section.

Company-wide commitment

For the Telefónica Deutschland Group, social commitment is inseparable from responsible action and is firmly embedded in its corporate culture. Together with its partner Aktion Deutschland Hilft e.V. (Germany's Relief Coalition), the Telefónica Deutschland Group called upon its employees to make donations in 2023 for people in need due to the earthquake disaster in Turkey and Syria. The company doubled the total sum donated. The donations made came to EUR 100,000. Aktion Deutschland Hilft e.V. used the funds to provide acute emergency aid in the earthquake region.

Employees of the Telefónica Deutschland Group supported digital education and inclusion during the Corporate Volunteering Week in the reporting year. Volunteers got involved in online and on-site application coaching for migrants and refugees at the ReDI School, in recycling workshops for the refurbishment of used laptops for schools with Labdoo and in app-assisted walks with senior citizens together with the Digital Opportunities Foundation and learned about the inclusion of hearing-impaired co-workers in an online tutorial.

As a company-wide team event for a good cause, the O₂ Telefónica Run+ 2023 boosted a feeling of unity, employee loyalty and a shared sense of social responsibility. From 15 to 20 September 2,300 volunteers in 317 teams demonstrated dedication and a sporting spirit. They jointly ran, cycled and swam, in the process generating donations in the amount of EUR 67,500 for the food bank organisation Tafel Deutschland e.V., which supports 2 million people in Germany affected by poverty with recovered food, for Aktion Deutschland Hilft for those affected by the natural disasters in Morocco and Libya and for wirmachenwelle.org, an association that offers disadvantaged children sport support and surfing therapy.

The Telefónica Deutschland Group volunteers supported many people in difficult situations during Advent with four Christmas activities. This resulted in their donating around 1,600 kg of food to Tafel Deutschland e.V. The O₂ Telefónica volunteers helped

¹ Proportion based on number of employees of the Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). Units of training completed in the past three years are included in the calculation. This means the 2023 figure for completed training is 7,068, which covers 1 January 2021 to 31 December 2023.



organise and run an afternoon for senior citizens with the digital Christmas quiz organised together with the Digital Opportunities Foundation. The volunteers gave children from socially disadvantaged families a few wonderful hours in the form of a crafts and games afternoon held at the Die Arche organisation in Munich. Telefónica also promoted the resilience of children and young people together with Save the Children. The pandemic, inflation, political conflicts and natural disasters require young people to be able to cope with crises. The volunteers used a tutorial featuring practical tips to learn how to boost children's resilience.

There were a total of 3,198 instances of participation in volunteering activities in the year under review, in which not only salaried employees were able to participate, but also temporary employees, interns and other external employees through a number of charitable activities. 31.7 % of the salaried employees volunteered in 2023, meaning the target of 30 % was achieved.

Extensive additional benefits

The Telefónica Deutschland Group is not bound by collective bargaining agreements. The company negotiates all arrangements regarding remuneration systems and labour conditions which are subject to co-determination regulations directly with its operating partners on the basis of trust to ensure that the specifics of the telecommunications industry and the needs of the employees can be taken into account. The Group agreement regarding partial retirement was amended in the reporting year to now also apply to employees of the companies Telefónica Germany Retail, AY YILDIZ and Ortel.

The Telefónica Deutschland Group considers the comprehensive additional benefits it offers its employees to be an important component of its attractiveness as an employer. Depending on the Group company and the employee group, these include company pension subsidies, discounts and subsidies for public transport, insurance policies, meal subsidies, a family service and employee credits for the company's products and services. Since the end of 2022 the OHG employees have been able to find the additional benefits available to them personally in a benefits portal called Benify, which also presents all the individual salary components.

Most fringe benefits are offered to part-time employees based on their pro rata level of employment or part-time salary. In the case of the following benefits, no distinction is made between full-time and part-time employees: Group accident insurance (including disability and invalidity coverage), health care, stock

ownership, travel allowance, call credit for the company's services, use of company facilities such as the canteen and the sports programme. Permanent employees are entitled to a company pension. Regarding staff employed via temporary work agencies, the principle of equality as per Section 8 of the German Act on Temporary Agency Work (AÜG) applies. Personnel expenses came to EUR 669 million¹ in the year under review (2022: EUR 622 million).

On the occasion of the Group's 100th anniversary in the previous year, a new global share savings plan called PLAN100 was launched in which employees at all the Group companies could buy shares in Telefónica, S.A. on special terms. More than 3,000 employees in Germany participated. They chose the amount of their salaries they wished to invest in purchasing Telefónica, S.A. shares over a period of 12 months. For every share purchased in this way, they will be awarded another share for free at the end of the lock-up period in April 2024. All the participants will additionally receive a further 100 shares for free at the end of the plan's term.

The Telefónica Deutschland Group offers all the employees a family service in cooperation with famPLUS. This includes assistance for working parents with organising qualified childcare. Depending on the Group company and employee group, Telefónica has additionally been offering a subsidy for childcare for children aged up to three since 2022 as well as an extended opportunity to save up work hours in a time account and then use these as needed for leave, extended parental leave, care leave, professional development or early retirement. Employees are also entitled to special leave for certain events such as death, birth and weddings.

The Telefónica Deutschland Group offers Blue Bike bicycle leasing. This allows employees to travel in an environmentally sound way on a leased bike while also doing something for their health. The leasing service is a form of deferred compensation.

¹ Personnel expenses include wages and salaries, social security, pensions and restructuring expenses.



Implementation of human rights due diligence obligations

THE KEY FACTS:



The Telefónica Deutschland Group thoroughly revised its Declaration of Principles on Respecting Human Rights in 2023.



In the year under review, the company further implemented a due diligence system to respect and protect human rights and incorporated the requirements as per the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG).



The company performed a detailed risk analysis based on the LkSG in 2023.

BASIC PRINCIPLE AND CHALLENGES

Protecting human rights and minimising risks

As a telecommunications provider, the Telefónica Deutschland Group connects and reaches millions of people. In a digitally connected society, the company assumes responsibility for its customers, its employees, the people in its supply chains and other key stakeholders. Respecting and protecting human rights within the company and in the value chain are the basis for a responsible, sustainable and digital future. As such, the Telefónica Deutschland Group is not only observing the statutory requirements, but also its own understanding of values. The company is aware of the fact that there is the potential for human rights risks and violations throughout the value chain based on its business activities. The extensive due diligence system is designed to help identify, mitigate and, where necessary, remedy risks.

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 both at its own sites and in the supply chain (more on this in the ["Own workforce"](#) and ["Workers along the value chain"](#) sections) is especially important to the Telefónica Deutschland Group in order for it to nip the emergence of damage in the bud. Compliance in the area of human rights additionally serves its reputation and its ability to compete.

Implementation of the LkSG

Since 2023 Telefónica Germany GmbH & Co. OHG and its subsidiaries have been obliged to comply with Germany's LkSG. The LkSG governs companies' responsibility for implementing human rights and environment-related due diligence obligations internally and in the supply chain.

The Telefónica Deutschland Group supports the goal associated with the law of establishing governance for responsible corporate management and fair supply chains in which high human rights and environmental standards apply. In the year under review, the company implemented a due diligence system to respect and protect human rights which incorporates the LkSG requirements. The company also continuously engaged with internal and external stakeholders regarding implementation of the LkSG. As the organisation is adapted to the legal requirements, the Purchasing department will be afforded greater responsibility regarding the development of procurement strategies and supplier assessments.

At the EU level, the trilogue for a Corporate Sustainability Due Diligence Directive (CSDDD) was initiated in 2023. The aim of the CSDDD is to establish an EU-wide legal framework that obliges companies to implement human rights and environment-related due diligence obligations in their business area and in their supply chains. The draft law is more comprehensive than Germany's LkSG.

PROCESSES AND MANAGEMENT

Due diligence system to respect and protect human rights

The Telefónica Deutschland Group's due diligence system to respect and protect 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 due diligence system was adapted to the requirements of the LkSG in 2022 and 2023.

The process comprises five components:

1. Risk management and responsibilities
2. Risk and impact assessments
3. Preventive measures and process integration
4. Monitoring and reporting
5. Complaints and remedial actions

G 13: Due diligence process for human rights



STRATEGIC PRIORITIES

Implementation of the due diligence system for human rights

1. Risk management and responsibilities

The Management Board of the Telefónica Deutschland Group bears responsibility for reviewing the performance and implementation of its human rights and environment-related due diligence obligations. The Director of Corporate Responsibility & Sustainability (CR&S), who was appointed Human Rights Officer as of 1 January 2023, engages in ongoing dialogue with the Management Board. The Management Board is notified at least once a year about the work of the Human Rights Officer and the progress made with implementing risk management and the due diligence processes.

Being a cross-cutting issue, human rights matters are handled interdisciplinarily at the Telefónica Deutschland Group. The Telefónica Deutschland Group's Human Rights and Environment Committee supports exchange and collaboration between the departments. The CR&S directorate is responsible for steering the committee as well as for implementing and monitoring the human rights and environment-related due diligence obligations. The committee comprises representatives of CR&S, Compliance, Legal and Capital Market Law, Data Protection, Organizational Development & People, Corporate Innovation and DE&I, the Inclusion Officer, and representatives 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.

Among other things, the committee is entrusted with processing human rights and environment-related complaints. This 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 Human Rights and Environment Committee regularly reports among others to the employee representatives and the Economic Committees.

2. Risk and impact assessments: identifying human rights risks and areas of action

Regular risk and impact assessments help the Telefónica Deutschland Group understand what impact its activities, business relations, products and services have on human rights and how it can adapt its internal strategies and processes to address the risks and opportunities identified. The Telefónica Deutschland Group assesses the human rights risks in its own business area and in relation to its direct suppliers at least once a year as part of its company-wide risk management process. The company also conducts ad hoc assessments where necessary.

As the first step, the Telefónica Deutschland Group assesses its risks based on an abstract view. It uses, for example, country, site, product and service risks to draw up a comprehensive risk profile.

The second step involves assessing the concrete risks. It is important to the Telefónica Deutschland Group that the risks are considered from the perspective of those affected and are prioritised according to assessment criteria. To this end, the company determines the risks' severity (degree of negative impact, number of people affected or size of the environmental areas affected, irreversibility) and probability of occurrence. It



also assesses the part the Telefónica Deutschland Group plays in causing the risks and its ability to influence remediation or avoidance of the risks.

Further information on the procedure and the results of the risk analysis can be found in the [“Own workforce”](#) and [“Workers along the value chain”](#) sections.

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

3. Preventive measures and process integration

In the context of its due diligence system, the Telefónica Deutschland Group addresses human rights risks related to its business activities and relations. To prevent risks, the risk assessment results have been incorporated into the company's processes. It also implements appropriate preventive measures in its own business area and together with its suppliers and business partners. Here it not only adapts and improves existing measures, but also develops new approaches. 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.

For more information on the prevention measures implemented, see the [“Own workforce”](#) and [“Workers along the value chain”](#) sections.

4. Monitoring and reporting

The Telefónica Deutschland Group reviews the effectiveness of its risk management and the due diligence processes annually and on an ad hoc basis. Here, it pays particular attention to assessing the effectiveness of the preventive measures and remedial actions and also of the complaints procedure (see [points 3 and 5](#)). The company uses regular checks to ascertain whether its implementation is effective in terms of preventing or eliminating human rights and environment-related risks. The progress made in the due diligence processes is gauged using appropriate performance indicators.

In an annual report it submits to the Telefónica Deutschland Group's Management Board and Group Works Council, the Human Rights and Environment Committee provides information about the implementation progress made, its monitoring of human rights and environment-related risk management and the related due diligence obligations. The report also covers

the latest human rights developments and trends in politics and society. From 2024 (starting with reporting for the financial year 2023), the Telefónica Deutschland Group will additionally report to the Federal Office for Economic Affairs and Export Control (BAFA) on its implementation of the LkSG requirements. It makes the report and other information regarding human rights topics available on the [company website](#)

5. Complaints and remedial actions

Even with the measures implemented by the Telefónica Deutschland Group to protect human rights, risks or violations cannot be entirely ruled out. The Telefónica Deutschland Group makes a complaints procedure available to the employees, suppliers, business partners, stakeholders, customers and others who are potentially affected in order that they can bring (potential) wrongdoing to its attention directly. 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 responsible CR&S directorate. Employees can also forward information directly to the Human Rights Officer. In addition, another confidential channel is integrated on the Telefónica, S.A. supplier website.

The procedure is open to any person who wishes to submit a complaint or report on human rights risks or violations that have occurred or could potentially occur in their own business area or in the value chain of the Telefónica Deutschland Group. It does not matter whether the person making the report is affected themselves or not.

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. The rules of procedure can be found on the Telefónica Deutschland Group website at www.telefonica.de/whistleblowing-procedure 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.

All the enquiries that the Telefónica Deutschland Group receives via the complaints procedure are handled confidentially and are carefully examined (detailed information on this can be found in the [“Business conduct”](#) section). Should the Telefónica Deutschland Group learn of human rights violations by means other than the reporting channels mentioned, it will develop and implement remedial actions and suitable concepts to minimise or terminate such shortcomings there too.



Four reports concerning the aspects of unequal treatment, decent pay and noise pollution were submitted via our complaints channels in 2023. Following careful examination by the Human Rights and Environment Committee, no concrete human rights violations could be identified. Preventive measures were nevertheless implemented in some cases, such as anti-discrimination training, in order to actively prevent risks.

In the event that human rights or environment-related violations occur, the Telefónica Deutschland Group has developed a remediation concept in order to immediately implement appropriate and targeted measures. The company makes a distinction here between violations in its own business area and in the supply chain.

In its own business area, the company introduces measures right away to eliminate violations. In the case of violations that occur in the supply chain, the company works with its suppliers and business partners to effect remediation of the violations. The company reserves the right to terminate business relations as a last resort.

Incorporation of stakeholders and those potentially affected

When implementing the due diligence system, the Telefónica Deutschland Group continually sees things from the perspective of those potentially affected and of vulnerable groups. It is important to the company that the perspective and expectations of those affected are taken into account in the assessment of risks and violations, in the development of preventive measures and remedial actions, and in the processing of complaints.

In addition, the Telefónica Deutschland Group is involved in multi-stakeholder initiatives such as the UN Global Compact network. Since 2023 it has been participating in the Peer Learning Group for Business and Human Rights in order to engage in cross-industry dialogue with important stakeholders on the implementation of human rights and environment-related due diligence obligations. The Telefónica Deutschland Group has been a member of econsense – Forum for Sustainable Development of German Business e. V. since 2022 and is involved in its Human Rights & Value Chain working group, as well as in the Joint Alliance for CSR (JAC) together with the Telefónica, S.A. Group.

Upholding children's rights in the business activities




The Telefónica Deutschland Group has made a commitment to protecting in particular children and young people in all of its business activities. Its actions are guided first and foremost by UNICEF's Children's Rights and Business Principles. The company has defined the prohibition of child labour and the protection of minors as a human rights area of action. In its Human Rights Policy, child labour in its own business activities is excluded and all the suppliers are obliged to exclude child labour in the Telefónica Deutschland Group's supply chain.

To meet its target of strengthening children's rights and preventing child labour, the Telefónica Deutschland Group has published [commitments](#) on its website that teach its employees and other stakeholders about its position. Children's rights and the protection of young people are also covered in the "Guideline for ethically responsible communication" and the internal marketing guidelines. Via contractual provisions, the Telefónica Deutschland Group ensures that youth protection is integrated into the product and offering design of its business partners. In its communications too, it makes sure not to disseminate any content that may harm children and young people or could exploit their manipulability (more information in the "Digital participation" and "Consumers and end-users" sections). In addition, the Telefónica Deutschland Group wishes to use its communication measures to continuously foster awareness of human rights and the rights of children and young people.



Workers along the value chain

THE KEY FACTS:

-  The Telefónica Deutschland Group and Telefónica, S.A. champion greater transparency and sustainability in the supply chain by supporting international multi-stakeholder initiatives.
-  Suppliers and their employees can make use of various confidential Telefónica Deutschland Group channels to make human rights and environment-related complaints.
-  The company uses an AI tool it developed itself to scan more than 150 million websites and social media platforms in order to identify potential supply chain risks early on.

BASIC PRINCIPLE AND CHALLENGES

Stable and fair supply chains as the target

The Telefónica Deutschland Group is committed to sustainable procurement management and supplier management. This stance is based on its Business Principles and the principles of integrity, reliability and transparency. In this way, the company encourages its suppliers to observe not only quality standards regarding products and services, but also legal requirements as well as ethical, social, environmental and data protection standards throughout the supply chain. In addition, the company sets great store by efficiency and innovation, supported by new technologies and a procurement process that has been digitalised to the fullest extent possible.

Making supplier relations sustainable enables the Telefónica Deutschland Group to exert its influence to improve the social and environmental situation, thereby reducing the risk of any regulations being violated. This is dependent upon there being trusting supplier relations and maximum transparency, which the company wishes to achieve by analysing its supply chain structures and identifying country-specific and product-specific risks. The risks prioritised by the Telefónica Deutschland Group in the context of workers along the value chain are as follows: endangerment of health and safety in the workplace, work time overruns, insufficient wages, violations of the freedom of association, unequal treatment and discrimination.

The Telefónica Deutschland Group maintains balanced and trusting relations with its suppliers. The Telefónica Deutschland Group strives for long-term collaboration with its suppliers through trusting partnerships. Promoting dialogue, including on critical topics, is a matter of particular importance here.

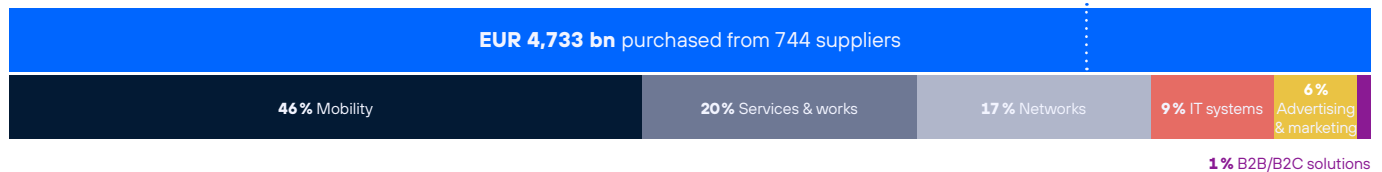
However, the Telefónica Deutschland Group only has limited scope for action in the downstream supply chain. Furthermore, it is not a production company. The end devices used and the network infrastructure including the transmitter masts are not manufactured by the company. Additionally, the global market is very limited in the areas of smartphones and network equipment, and the suppliers active in these areas are difficult to substitute.

To work on resolving this and similar systemic problems, Telefónica, S.A. and the Telefónica Deutschland Group champion greater transparency and sustainability in the supply chain in international multi-stakeholder initiatives, for example with membership of the Responsible Minerals Initiative (RMI). Through Telefónica, S.A., the Telefónica Deutschland Group additionally belongs to the Joint Alliance for CSR (JAC), which brings together the world's largest telecommunications companies. In addition to knowledge sharing, the JAC's primary aim is to make carrying out supplier audits efficient and uniform at the global level for all of its member companies. The Telefónica Deutschland Group works closely with Telefónica, S.A. on current topics, involvement in the initiatives, supplier audits and supplier assessments.

After Telefónica, S.A. and the Telefónica Deutschland Group switched to a different supplier management provider in the previous year, all the suppliers who engage in business relations with Telefónica Deutschland were invited to register on the new risk management platform in the reporting year. A control mechanism in the form of self-assessments contributes to the expectations regarding human rights and the environment in the supply chain being met.

**G 14: Impact of our business on society**

Volume of purchases awarded, %/total

79.1% of which purchased
from suppliers in Germany

The pandemic and geopolitical situation have disrupted the global supply chain. As a consequence, the Telefónica Deutschland Group reassessed the use of lean manufacturing strategies during 2021 and 2022 to ensure continuity in the network development. In 2023 it was visible that equipment manufacturers put a lot of effort into making their supply chains more resilient, reducing risk exposure to supply shortages. Even though supply chains are more stable and resilient, telecommunication equipment manufacturers are going to be under greater competitive pressure.

PROCESSES AND MANAGEMENT**Defining clear responsibilities and requirements for suppliers**

Telefónica Global Services GmbH (TGS), a subsidiary of Telefónica, S.A. and a contractual partner of the Telefónica Deutschland Group, manages the processes surrounding the purchase of goods and services, including the registration of new suppliers, while process authority lies with the global company Telefónica Compras Electrónicas (TCE). TCE is responsible for strategy, development and use of the e-commerce tools used in the procurement process. The majority of Telefónica Deutschland Group suppliers are listed in the global purchasing model (MCT), which sets out a standardised procurement process within Telefónica, S.A. This model is in accordance with the Telefónica Deutschland Group's Business Principles and is based on transparency, equal opportunity, objective decision-making and the sustainable management of its supply chain. A distinction is made between MCT procurement processes, these being handled by the Purchasing department, and non-MCT procurement processes and low-value purchase processes, which are effected without the involvement of Purchasing. Since 2022 the Telefónica Deutschland Group has been using a digital purchasing system provided by Telefónica, S.A. which, unlike its predecessor, is cloud-based and which provides all the buyers with information regarding financial risks (Dun & Bradstreet) and risks related to ethical conduct and corruption (Dow Jones Risk & Compliance).

The Telefónica Deutschland Group works with the Group's national companies around the world and is in close contact with TGS and Telefónica, S.A. TGS coordinates its activities closely with the Telefónica Deutschland Group's CR&S, Compliance, Legal and Data Protection departments to achieve supply chain sustainability. TGS is also represented on the Human Rights and Environment Committee and, if needed, on the Energy Committee. TCE uses the centralised purchasing system to provide TGS buyers who are assessed in a risk management platform with ESG-relevant criteria regarding suppliers that pose a risk. CR&S reports on sustainable supply chain management and risk management to the Chief Officer for Legal & Corporate Affairs.

The key guidelines and standards that serve the Telefónica Deutschland Group as principles of action for sustainable and responsible supply chain management include:

- The purchasing guidelines
- The Supply Chain Sustainability Policy (SCSP)
- The General Conditions for the Supply of Goods & Services
- The Declaration of Principles on Respecting Human Rights
- The Human Rights Policy
- The anti-corruption guidelines
- The anti-discrimination policy
- The Equality Policy
- The Group's data protection standard
- The security policy
- The health policy including the manual on occupational health and safety management
- The environmental and energy policies
- The low-carbon procurement guidelines

Supply Chain Sustainability Policy stipulates minimum standards

Sustainable supplier management is part of the Telefónica Deutschland Group's Responsible Business Plan 2025. There is a focus here in particular on topics related to the supply chain that have a big social and environmental impact. Collaboration with




suppliers is founded on the [Supply Chain Sustainability Policy \(SCSP\)](#) , a supplier code of conduct which is complemented by the internal Supplier Management Instruction. This policy has its origins in the Telefónica Deutschland Group's [Business Principles](#) , the [Declaration of Principles on Respecting Human Rights](#)  and the [Human Rights Policy](#) , all of which constitute the reference framework for the company's relationship with its various stakeholders.

The SCSP applies to all purchases of products and services and refers to the entirety of the Telefónica Deutschland Group's supply chain. It constitutes a component of the purchase contracts with effect for direct as well as indirect suppliers. This means direct suppliers must likewise suitably establish within their supply chains the standards and due diligence obligations agreed herein and should react to and bear responsibility without limitations for violations of this policy's minimum standards that occur within their own supply chain. The [chart on page 61](#) gives a complete overview of the minimum requirements.

The Telefónica Deutschland Group must guarantee equal opportunity to all suppliers involved in a specific procurement process, basing the selection of suppliers, the awarding of contracts and other decisions on objective criteria.

Any company that wishes to be considered as a Telefónica Deutschland Group supplier is obliged to observe the minimum requirements and the expectations with regard to human rights and the environment enshrined in the Telefónica Deutschland Group's framework and to address these appropriately throughout its own supply chain. The aim is to prevent and minimise human rights and environmental risks and bring to an end the violation of human rights and environmental obligations. If these obligations are violated in the supply chain, the Telefónica Deutschland Group works with its suppliers and business partners and uses its ability to influence to effect a remedy.

Suppliers and their employees have the opportunity to submit questions or complaints to aid in observing the minimum requirements for responsible and sustainable conduct. For this purpose, they can use the channel on the Telefónica Deutschland Group's [supplier website](#) , the human rights inbox for human rights or environment-related complaints or tip-offs, or they can contact an independent lawyer who serves as an ombudsperson. Tip-offs can be submitted anonymously or with a person stating their name. All enquiries are handled confidentially and are carefully examined. Barrier-free access to the ombudsperson is afforded in written form in 21 languages. Suppliers are obliged to also notify their sub-suppliers of the Telefónica Deutschland Group's reporting channels.

Should the supplier identify a violation of the obligations laid out in this policy within its own business or in the supply chain (including the supply chains of sub-suppliers), it must notify the

Telefónica Deutschland Group as soon as possible. The supplier should give its own workers and its sub-suppliers the opportunity to use the Telefónica Deutschland Group's reporting channel. Detailed information regarding the Telefónica Deutschland Group's whistle-blower procedure and contacts can be found on the website and in the rules of procedure at www.telefonica.de/whistleblowing-procedure . More information on the reporting channels can be found in the "Strategy" and "Business conduct" sections.

STRATEGIC PRIORITIES

Minimising risks and improving supplier performance

The Telefónica Deutschland Group's supply chain management is based on a four-stage process which is designed to identify value creation risks. In this way, these risks are to be limited effectively together with the suppliers and the suppliers' performance in the area of corporate responsibility is to be improved. The key sustainability risks in the supply chain of the international Telefónica Group relate to labour conditions, environmental impacts, and data protection and information security.

Step 1: implementation of the minimum requirements

Whenever newly commissioned, all the suppliers are required to make a contractual commitment to comply with the minimum requirements for responsible and sustainable conduct as laid down in the SCSP. This policy serves as the basis for collaboration with the suppliers and for overall supply chain management. Suppliers are required to accept the global SCSP during registration in the supplier registration portal in order to be able to proceed with the commissioning process. To participate in an invitation to tender in Germany, suppliers must accept the local SCSP. In addition to the requirements of the SCSP, there are the binding General Conditions for the Supply of Goods & Services, the anti-corruption declaration, the privacy policy and the terms and conditions of the supplier website. The environmental management annex applies to product and service-specific contracts that have an impact on the environment. With this mandatory part of the contract, suppliers give an assurance among other things that they will pay attention to low-energy operation during product development and will promote the circular economy when handling and disposing of waste.

With external assistance, the Digital & Data Competence Center (DDC) developed an AI-based tool which screens more than 150 million websites and over 20 social media platforms in over 180 languages in order to identify potential supply chain risks early on. Following a trial run involving 80 direct suppliers in which environmental and social criteria were also taken into account, this monitoring has since been established within the Telefónica Deutschland Group both for current and new suppliers.

**G 15: Approach of the Telefónica Deutschland Group: sustainable management of the supply chain**

Upholding human rights and environmental aspects plays a key part in the Telefónica Deutschland Group's purchasing guidelines. The revised guidelines are to be implemented in 2024 and will involve the Purchasing department more heavily in supply chain sustainability management.

At the end of the reporting year 2023, 99.5% of the suppliers managed by Purchasing had accepted the anti-corruption declaration (2022: 95.6%).¹ 100% of the new suppliers processed via the Telefónica Deutschland Group's purchasing system have made a commitment to comply with the SCSP.² As such, the Telefónica Deutschland Group already takes sustainability criteria into account in the registration process and for its entire MCT purchasing volume with the local SCSP. The company was already working in the reporting year on getting suppliers outside this purchasing process (non-MCT) to likewise accept the SCSP. This relates, for example, to low-value purchasing processes and cross-company transactions such as licences and donations. These suppliers were asked in 2023 to accept the local SCSP, which is based on the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG).

Step 2: abstract supply chain risk assessment

Telefónica, S.A. performs a three-stage risk assessment of all the suppliers at the beginning of each year. This enables the Telefónica Deutschland Group to identify potential risk suppliers in its range based on sustainability aspects. The focus here is on the suppliers that are the most significant in terms of their potential risk level and the impacts on business based on their order volume. Risk assessment is based on three criteria.

- Firstly, the potential risk level of the products and services supplied is evaluated, taking into account the defined minimum requirements for sustainability aspects within the supply chain. These include in particular labour conditions, health and safety, the environment, human rights (child/forced labour), minerals from conflict zones, privacy protection, data protection and customer promises.

- Secondly, the risk is weighted based on the origin of the service or product and of its components. In this assessment, the impacts of potential risks in the individual production countries are also taken into account.
- Thirdly, here, the risk of a possible impact on the Group's reputation is weighted. The assumption applied here is that the closer the ties between the service/product and Telefónica, S.A., the greater the impacts.

A distinction is drawn between suppliers with a low, medium and high risk. In 2023 44 out of 91 suppliers (2022: 55 out of 80) were identified as potentially high-risk suppliers.

Step 3: concrete risk and supply chain assessment

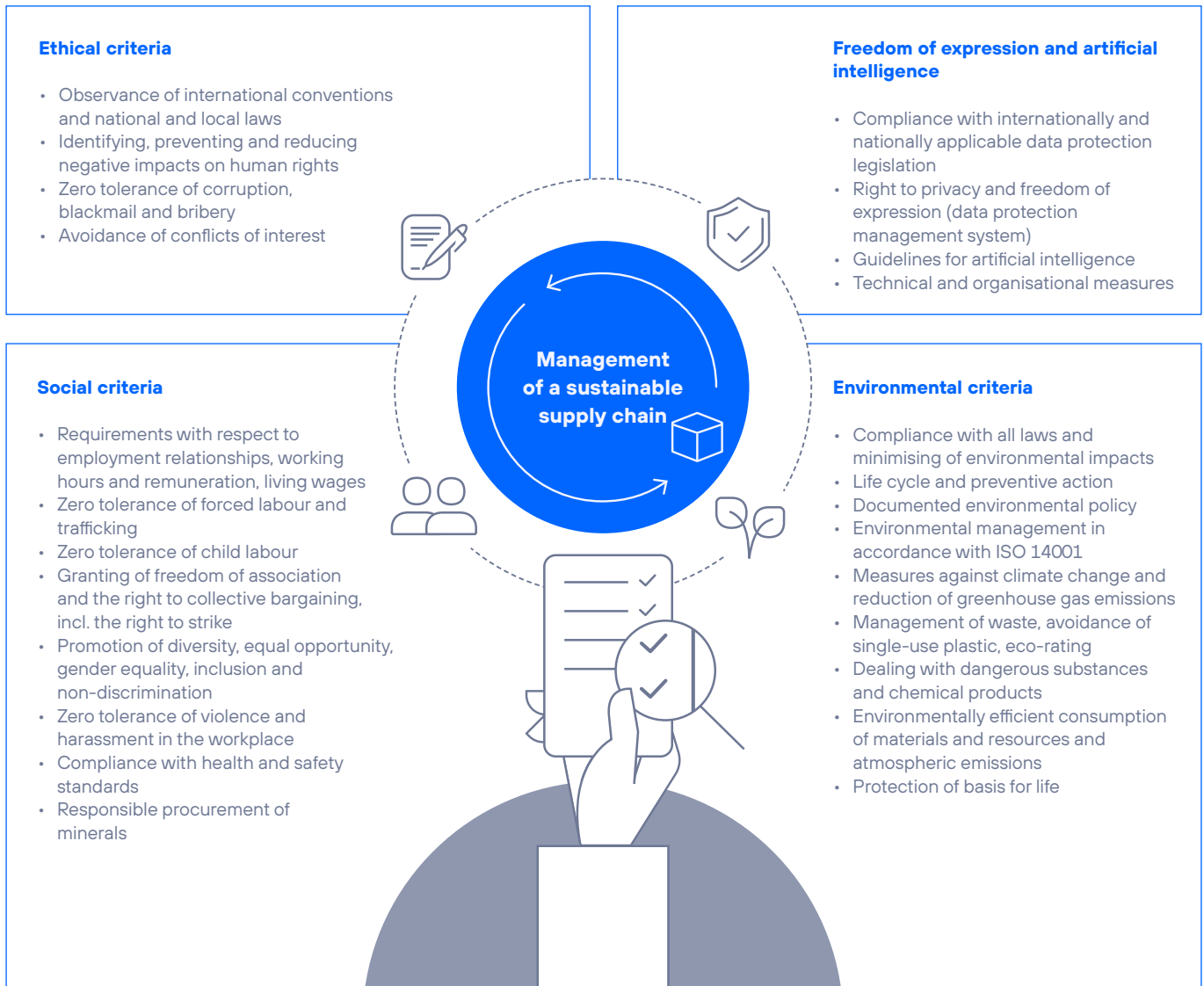
In the next step, the Telefónica Deutschland Group analyses and assesses potential risks for direct suppliers and in the downstream supply chain.

- In line with the legal requirements as per the LkSG, the Telefónica Deutschland Group performed a comprehensive assessment for the first time in the reporting year of the concrete risks of all the direct suppliers and in especially risky downstream supply chains. In this assessment, it identified and analysed not only suppliers, but also risky products and services as well as sourcing countries. Internal and representative external sources were drawn on for the risk assessment in order to gain an informed understanding of the risks. For example, the company consulted past sustainability assessments and audits as well as the reports of external stakeholders. The results of supplier self-assessments regarding human rights topics were additionally incorporated into the concrete risk assessment. Interviews were also conducted with those responsible in the Purchasing department, so as to include their perspective in the assessment. Based on this information, the Telefónica Deutschland Group prioritised the risks in line with the adequacy criteria as stipulated in the LkSG. The assessment results provide a substantiated information basis for buyers and serve as a starting point for preventive measures to minimise human rights risks in the company's value chain.

¹ Concerns all the suppliers who were contracted in 2023.

² As contractual partners, all new suppliers are obliged to accept the Supply Chain Sustainability Policy.

G 16: Requirements for responsible and sustainable business that are defined in the Supply Chain Sustainability Policy



Reporting points for potentially affected people and whistle-blowers

Suppliers and their employees have the opportunity to observe the aforementioned minimum requirements for sustainable business by submitting questions or complaints; this can be done via our confidential channel on the [supplier website](#) 📄, through our [channel for human rights complaints](#) 📄, and by making contact with an independent lawyer anonymously who serves as an anti-corruption [ombudsperson](#) 📄.



- The Telefónica Deutschland Group makes use of a number of monitoring tools that allow for the ongoing observation of sustainability risks in the supply chain above and beyond concrete risk assessment. For example, the sustainability performance (ESG) of sub-suppliers is assessed independently on the basis of standardised self-assessments. The topics covered include environmental protection, human rights and labour conditions, occupational health and safety, diversity, anti-corruption, supply chain responsibility, data protection, cybersecurity and conflict minerals. Via its own AI-based supplier monitoring system, the Telefónica Deutschland Group is notified of any negative digital reports regarding sustainability, for example in NGO reports or on social media channels.
- The buyers also review the supplier database using Factiva, a database created by Dow Jones Risk & Compliance. This screening is performed on a daily basis. Thanks to this tool, potential risks relating to ethical conduct and corruption can be identified and the existing processes for compliance with the anti-corruption guidelines can thus be strengthened.

By the end of 2023, the Telefónica Deutschland Group had assessed and prioritised 100% of its suppliers regarding human rights and environment-related topics on the basis of the adequacy criteria stipulated in the LkSG. The following priority risks were identified for the direct supply chain:

- Occupational health & safety
- Inadequate wages
- Freedom of association
- Unequal treatment in employment

The risks were particularly identified in the supply chains of the Telefónica Deutschland Group in Asia, Northern Africa and Northern America. The human-rights-related expectations with regard to the identified risks are formulated in our Supplier Code of Conduct. Furthermore, dedicated LkSG training is available for suppliers to raise further awareness. The Telefónica Deutschland Group tracks supplier performance through self-assessments and acts in consequence with monitoring and improvement measures.

In addition, 79% of the registered suppliers were audited regarding other ESG criteria on the basis of the supplier self-assessments. The company continued to assess suppliers via TGS's Supplier Management (SuMa) in the year under review, performing 47 assessments of 45 suppliers. The risk management platform assessments are taken into account in the SuMa process too.

Step 4: audits and other supply chain measures

Based on the results of risk assessment as required as per the LkSG as well as ongoing supplier monitoring, the Telefónica Deutschland Group develops a catalogue of measures that presents possible preventive measures and improvement plans for the various risks. These measures are then successively implemented together with the individuals/departments responsible in the company and the suppliers. Telefónica Deutschland additionally reserves the right to, as a last resort, suspend or terminate the business relations if no improvements can be effected.

To strengthen human rights in the supply chain, the Telefónica Deutschland Group conducted on-site audits at selected suppliers' premises in 2023 regarding health protection, occupational safety and sustainability. 85 improvement measures were introduced. The risk assessment conducted for the area of services and works showed that factors that foster risks such as opaque subcontractor structures and false self-employment apply in particular to service processes. The Telefónica Deutschland Group therefore audited two suppliers from the areas of logistics and customer service in 2022. In the 2023 reporting year, the company audited two suppliers in the Networks and Facility sectors with an international certification company. Both suppliers showed a high level of compliance of over 95% in their sustainability performance. Only a few improvement measures were identified in the areas of health and safety and the environment and included in an action plan.

In order to strengthen human rights within the supply chain, the Telefónica Deutschland Group carried out 248 on-site audits at selected suppliers in 2023 with regard to health protection, occupational safety and sustainability.

The assessment of the performance of high-risk suppliers is complemented by Telefónica, S.A.'s annual audit plan in order to determine if the critical aspects are being adhered to which were identified depending on the type of supplier, the service provided, the product and the risks of the individual regions or countries. The audits include improvement plans which take into account, for example, social or environmental impacts and which are agreed upon with and made binding for the suppliers. Here, Telefónica, S.A. is backing a partnership with other information and communication technology (ICT) companies that are united in the JAC initiative. The JAC audits primarily cover production facilities in risk countries in Asia, Latin America and Eastern Europe. The Telefónica Deutschland Group works closely with Telefónica, S.A. It can make audit suggestions, reviews improvement plans and engages in dialogue with suppliers.



137 on-site audits were conducted via the JAC in 2023 (91 of which on Group-wide suppliers of Telefónica, S.A.), resulting in 890 improvement measures being derived to remedy the risks identified in areas including working hours, wages and salaries, occupational health and safety and the environment.

Particular responsibility in dealing with conflict minerals

The Telefónica Deutschland Group endeavours 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 often mined under inhumane conditions. Here, the company relies on the global activities of Telefónica, S.A., which also set the framework for its own actions.

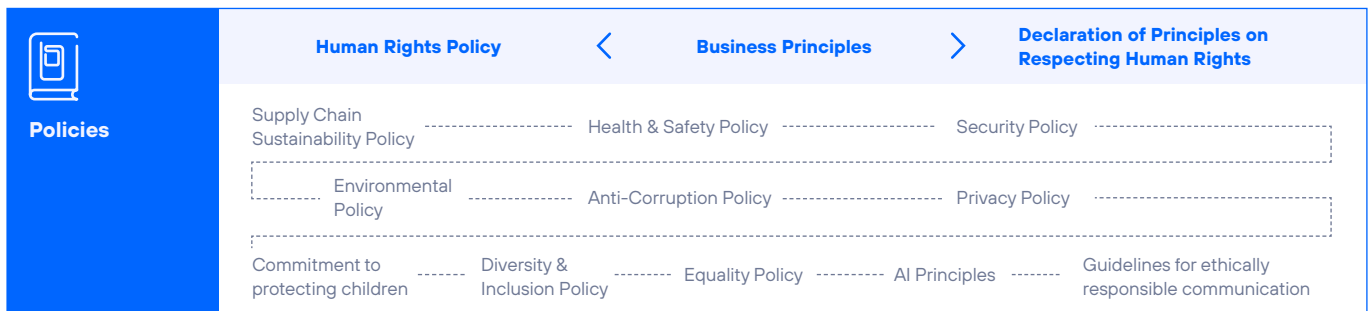
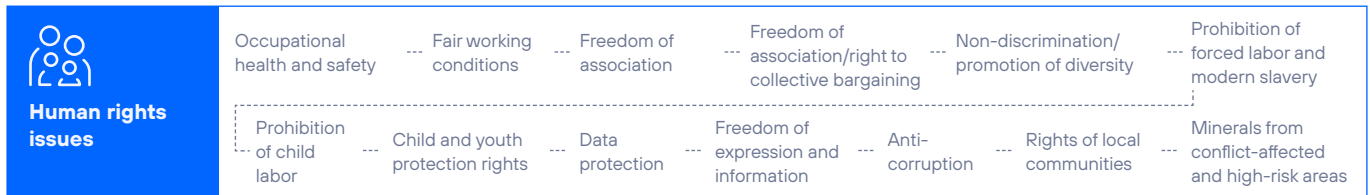
All Telefónica, S.A. Group suppliers are required to accept the conflict minerals policy as part of the [Supply Chain Sustainability Policy \(SCSP\)](#), thereby making a commitment to the responsible procurement of minerals. The policy is based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Every supplier that

submits an offer to the Group must also meet minimum supply chain sustainability requirements as laid down in the General Conditions for the Supply of Goods & Services. These stipulate that suppliers must implement effective due diligence processes to guarantee the traceability of 3TG minerals (tin, tantalum, tungsten and gold) from conflict regions and to minimise the risk of human rights violations.

Risk suppliers are assessed regarding the implementation of guidelines and due diligence processes for conflict minerals and of risk reduction measures. Telefónica, S.A. additionally requires its main suppliers to complete the Conflict Minerals Reporting Template of the Responsible Minerals Initiative (RMI). If risks are ascertained, corrective actions are planned and their implementation is monitored and, if necessary, checked by means of JAC audits.

Telefónica, S.A. promotes transparency and sustainability in the supply chain as a member of the Responsible Minerals Initiative (RMI) and the Public-Private Alliance for Responsible Minerals Trade (PPA).

G 17: Human rights in the value chain





Affected communities

THE KEY FACTS:

-  At the end of 2023 the Telefónica Deutschland Group was reaching approximately 95% of the population¹ with the modern 5G mobile communications standard. This is to be increased to 100% by the end of 2025.
-  In the area of network expansion, the company coordinates closely with the towns, cities and municipalities in which it intends to install technical facilities and informs the population among other things via the portal [informationszentrum-mobilfunk.de](https://www.informationszentrum-mobilfunk.de).
-  Smart City Frankfurt: in Frankfurt, the company and its partners are turning street lights into 5G sites that additionally water the surrounding trees.

BASIC PRINCIPLE AND CHALLENGES

Making access to the digital world possible everywhere

The Telefónica Deutschland Group connects millions of people in Germany via an efficient network. Its aim is to connect people living in rural areas just as well as town and city dwellers in order that everyone everywhere can enjoy access to the digital world and its communication opportunities. Digitalisation offers people greater flexibility in their daily lives, connects them to one another and simplifies access to information, educational offerings, health services and many other services. As connectivity makes participation in economic, social and cultural life possible, the Telefónica Deutschland Group categorised the topic of affected communities as material in 2023. The potential negative consequences that could result from insufficient network expansion contribute to this categorisation as well: if network providers fall short of the requirements of Germany's Federal Network Agency (Bundesnetzagentur) regarding mobile network expansion, they risk damage to their reputation and fine proceedings.

The Telefónica Deutschland Group 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 company promotes the development of digital skills and abilities in people both young and old with social programmes. 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 5G tariffs (see also the "[Consumers and end-users](#)" section).

Promoting economic and social development

Fair network access creates the basis for exercising certain human rights, such as the right to freedom of expression, thanks to the ability to access information and exchange ideas. The Telefónica Deutschland Group sees an opportunity to offer 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 fulfil its purpose: "We are democratising access to a sustainable digital future to create a better everyday for all."

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 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 and freedom of information are laid out in the consolidated [Transparency Report](#)  of the parent company Telefónica, S.A., in which the Telefónica Deutschland Group is also represented.


Providing information about mobile communications and network expansion

The Telefónica Deutschland Group wishes on the one hand to communicate the diverse opportunities for society and consumers offered by modern network standards while on the other simultaneously and appropriately taking into account


¹The selected population-based analysis not only includes the household-based supply calculation with a fixed location reference, as reported to the Federal Network Agency. It also includes commuter flows of the population, so that part of the population is counted both at their place of residence and their place of work (maximum population). In this way, the Telefónica Deutschland Group takes into account the fact that services are not only in demand at the place of residence, but also when travelling. This value is the year-end value for 2023, which indicates the availability of the mobile service outdoors.



the fact that people have a great many questions regarding mobile communications and health. Some of them assume that electromagnetic fields from mobile network stations and devices are harmful to health and cause cancer, for example. Protecting the health of customers, people living near operations and technicians is a top priority for the Telefónica Deutschland Group. This includes ensuring the mobile network base stations comply with the limits, which are checked by the Bundesnetzagentur. Moreover, the Telefónica Deutschland Group makes certain the mobile phones it sells comply with electromagnetic limits. According to the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), in the case of electromagnetic fields generated by mobile phone antennas and mobile communications base stations, there is no evidence of any effects which are harmful to people's health if the statutory limits are adhered to.

There is a large number of scientific studies on the impact of electromagnetic fields in the frequency range used for mobile communications. According to the [BMUV](#) , these are largely meaningful for the frequencies currently made available for 5G too: according to the studies, there is no confirmed evidence of health impacts caused by mobile communications within the applicable limits and when the requirements for mobile phones are met. The limits are stipulated in the regulation on electromagnetic fields (26th Ordinance Implementing the Federal Immission Control Act (26th BImSchV)). Germany's Federal Office for Radiation Protection (BfS) continuously reviews the protection effect of the limits and looks into indications of effects relevant to health below these limits with further research. One of the research focuses is new technological developments, including 5G.

The assessments and recommendations of the International Commission on Non-Ionizing Radiation Protection (ICNIRP, 2020), the German Commission on Radiological Protection (SSK, 2021) and the EU's Scientific Committee on Health, Environmental and Emerging Risks (SCHEER, 2022) have confirmed the protection concept applicable in Germany. The corresponding ICNIRP guidelines, which were updated following extensive research and dialogue processes, also apply to use of the 5G standard. The Telefónica Deutschland Group always meets the requirements of the protection concept applicable in Germany.

The Telefónica Deutschland Group therefore makes extensive information available on this topic, primarily via the information portal [informationszentrum-mobilfunk.de](#) . Anyone interested can also find information or seek advice via the Telefónica Deutschland Group's own channels. The company made a commitment to the German government regarding this back in 2001. The fulfilment of these requirements is reviewed continuously through external expert assessments. For example, the German Institute of Urban Affairs (Difu) has been conducting

regular surveys and studies in cities, towns and municipalities on the topic of mobile communications since 2002. This voluntary commitment was extensively renewed in 2023.

However, neither the company nor the mobile communications industry can comprehensively inform the population on its own as the topic also touches on issues of independence and objectivity. The Telefónica Deutschland Group therefore in particular welcomes the German government's creation of the Competence Centre for Electromagnetic Fields within the BfS. The "Germany talks about 5G" communication measure and the Federal Gigabit Bureau likewise promote objective debate regarding the topic of mobile communications and health.

Challenges in the year under review

As the Telefónica Deutschland Group increasingly incorporates new sites in the course of its network expansion, the need for advice in rural municipalities grows as many of these municipalities have no previous experience of mobile network systems and the related participation and approval procedures. The approval processes involving the municipalities and the regulatory authorities are highly complex. In addition, it is becoming increasingly difficult to find available plots of land. Here, a political trade-off also presents the Telefónica Deutschland Group with challenges. On the one hand, it is required to incorporate new sites which are as widely accepted by the public as possible. On the other, the coverage requirements of the policymakers mean there are strict time frames for network expansion. An increasing number of mast construction projects achieved planning permission status in the second half of the reporting year. Although the related approval discussions were often concluded two to three years ago, the imminent start of construction is resulting in various municipalities requiring information once again.

In the reporting year, the Telefónica Deutschland Group advocated the Bundesnetzagentur seeking to extend the frequency usage rights that expire in 2025, instead of auctioning them off. The network operators' limited investment funds should be spent on network expansion and on improving the population's mobile communication coverage. More information on the Telefónica Deutschland Group's position can be found on the [BASECAMP platform](#) .

PROCESSES AND MANAGEMENT

Identifying and remedying network faults

The Telefónica Deutschland Group's network quality and coverage are the responsibility of the Chief Technology & Information Officer (CTIO). A specialised Network department is responsible for monitoring the mobile communications and fixed line network and resolving problems. By monitoring the network elements comprehensively, continually investing in the network



infrastructure and gradually automating, the company aims to ensure that the negative impacts of network infrastructure impairments are kept to a minimum and that high-quality network operation can be reinstated quickly (more on this in the “Consumers and end-users” section).

Strict adherence to statutory requirements and limits

The Telefónica Deutschland Group monitors adherence to statutory requirements and limits when its networks are implemented, maintained or adapted to new technologies, and this is checked and certified by the relevant authorities. To verify compliance with the limits, the company has implemented rules of procedure and has its own teams that continuously perform internal audits at the mobile network sites maintained by Telefónica Deutschland Group technicians and by service providers. Monitoring these is the responsibility of an internal department in the area of radio networks. As part of their supervisory and control function, the Telefónica Deutschland Group’s occupational safety specialists monitor compliance with the existing rules and legal requirements, thereby contributing to the protection of the employees and the preservation of their health.

Consumer information on health protection

A mobile device’s radio waves are partly absorbed by the body tissue and converted into heat. The amount of energy absorbed by the body in the process is referred to as the [specific absorption rate \(SAR\)](#) . Since 1998 the International Commission on Non-ionizing Radiation Protection (ICNIRP) has been recommending a maximum SAR value of 2 watts per kilogram for the use of mobile phones when held next to the head.¹ The German Commission on Radiological Protection (SSK) and the European Commission have endorsed these recommendations. The manufacturers determine the SAR values in accordance with the European standards EN 62209-1 and EN 62209-2. The SAR values of mobile phones are generally substantially below the corresponding upper limit in actual use, as their transmissions are automatically regulated and reduced when necessary. Consumers can visit the Telefónica Deutschland Group’s shops or the company website to find out the precise SAR value of their mobile phone as well as generally find information on the subject of safeguarding health. In the future, the company will reference the data portal of the Federal Office for Radiation Protection (BfS) regarding the topic of SAR values.

STRATEGIC PRIORITIES

Reducing white and grey spots

The Telefónica Deutschland Group’s mobile communications network connects millions of people. For the past four years, the network has been given a rating of “very good”² in [the network test](#) conducted by the special-interest magazine *connect* on the basis of its high quality. The Telefónica Deutschland Group was already reaching approximately 95 %³ of the population with the modern 5G mobile communications standard by the end of 2023. It wants to provide the whole of the German population with 5G by the end of 2025. To do so, it is continuously switching 4G frequencies to 5G. In addition, at least 50 Mbit/s are to be made available from at least one of the network operators on all state and federal roads as well as all rail lines (with the exception of tunnels) by the end of 2024.

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 approximately 90% 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 until now, the Telefónica Deutschland Group is continuously replacing old sites with new platform sites with far greater capacity, based on demand. It expanded some 3,000 sites in this way in 2023 to offer faster Internet, especially in rural regions.

The Telefónica Deutschland Group was supplying around 99.6% of households with broadband mobile services at the end of 2023. The company therefore complies with the nationwide requirement stipulated by the Federal Network Agency (Bundesnetzagentur) of 98% household coverage with a download speed of 100 Mbit/s in every federal state. The Bundesnetzagentur confirmed the reported results in the year under review. Further information on the regulatory requirements can be found in [the Combined Management Report 2023 in the “Economic Report of the Group”](#) section. The Telefónica Deutschland Group is also focusing on expanding coverage along important transport infrastructures such as motorways, federal highways and railway lines. It is gradually closing the remaining coverage gaps so travellers also ideally benefit from a fast network everywhere too.

¹ Source: [BfS – Specific Absorption Rates \(SAR\) for mobile phones](#)

² Source: *connect* mobile and 5G network test, issue 01/2024: overall rating “very good” (895 points) for O₂; in total, two “very good” ratings (926 and 895 points) and an “outstanding” one (967 points) were awarded.

³ The selected population-based evaluation not only includes the household-based supply calculation with a fixed location reference, as reported to the Federal Network Agency. 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 the fact that services are not only in demand at the place of residence, but also on the move. This value is the year-end value for 2023, which indicates the availability of the mobile service outdoors.



The Telefónica Deutschland Group also wishes to close gaps through its two partnerships for the improved coverage of "grey spots" agreed together with Deutsche Telekom and Vodafone; these are areas in which not all the providers can offer their customers mobile network access via 4G. They intend to jointly use network technology at several hundred carefully selected antenna sites. In contrast to previous cooperations such as site sharing and the operators' agreement on the removal of white spots (completely unsupplied regions), with this approach, there is no need for a second set of separate wireless technology or additional antennas to be installed. With mutual access to several hundred mobile network sites and with Deutsche Telekom and Vodafone respectively, the Telefónica Deutschland Group was able to jointly use the network technology in the reporting year 2023 and make good progress as part of the collaborative efforts to eliminate grey spots.

The fast network expansion is noticeable due to significantly improved network quality and therefore also a sharp increase in data usage. This is primarily due to the increasing popularity of music and video streaming and the sharing of photos and videos via social media and messaging apps such as WhatsApp. In 2023 as a whole, the Telefónica Deutschland Group network transported 4.75 billion gigabytes of data volume in Germany's mobile communications networks. Data usage within the Telefónica Deutschland Group network therefore increased by 36% year-on-year.

Close dialogue with local authorities and policymakers

The local authorities are above all important partners when telecommunications infrastructure is being set up or expanded. For example, the Telefónica Deutschland Group coordinates network expansion closely with the towns, cities and municipalities in which it intends to install technical facilities. As a result, it is meeting the requirements of the voluntary commitment made to the German government, the Federal Immission Control Act (BImSchG) and an agreement with the local authority associations to which the four German mobile communications

companies have signed up. These agreements offer the local authorities a broad array of effective dialogue and participation measures. Their importance was emphasised in the reporting year with the mobile communications industry's renewed voluntary commitment vis-à-vis the German government. The mobile communications companies consequently disclose their network planning and make this available to the local authorities. In addition, there is regular dialogue on the status of expansion and planning at the regional and local level.

The Telefónica Deutschland Group again contributed its expertise at various information events held locally in 2023. Once again in the year under review, the Baden-Württemberg Ministry of the Interior, Digitalisation and Local Government and the Federal Gigabit Bureau jointly held a series of information events in Aalen and Furtwangen, which the Telefónica Deutschland Group supported in the form of staffing with contacts as well as, in individual cases, with speakers. In North Rhine-Westphalia, the company participated in the federal state's Task Force Mobilfunk NRW to specifically advance mobile communications expansion in the state and improve the processes.¹ In Bavaria, the company had a leading part to play in successful negotiations concerning a model agreement with the local municipal associations designed to shorten the negotiation stage relating to mobile network site agreements.

Together with the mobile operators Telekom Deutschland, Vodafone and 1&1, the Telefónica Deutschland Group runs the information portal www.informationszentrum-mobilfunk.de.² This information offering focuses on setting up and expanding mobile communications networks based on societal consensus as well as consumer issues and health protection. Informationszentrum Mobilfunk relaunched its website in the year under review. The topics are now presented more clearly and with the aid of the latest web standards.² The Telefónica Deutschland Group made a commitment to the German government in the reporting year to further develop this information portal, which now has wide recognition.

G 18: Stages of creating a mobile communications base station¹



¹ Source: <https://www.informationszentrum-mobilfunk.de/mediathek/grafiken/schritte-beim-aufbau-einer-mobilfunk-basisstation>

¹ Source: Task Force Mobilfunk NRW: Land, Telekommunikationswirtschaft und kommunale Spitzenverbände vereinbaren Zusammenarbeit | Wirtschaft.NRW

² Source: <https://www.informationszentrum-mobilfunk.de/mediathek/grafiken/schritte-beim-aufbau-einer-mobilfunk-basisstation>



Contributing to the development of smart cities

The Telefónica Deutschland Group wishes to play its part in the development of smart cities in which people can benefit from a better quality of life. The smart city concept is based on the company as a telecommunications service provider having experience of how people use technologies and what the people living in a modern city expect. The Telefónica Deutschland Group makes this knowledge available to municipal decision makers subject to data protection compliance and develops the Group's products, open platforms and diverse digital solutions with them. In Frankfurt am Main, the Telefónica Deutschland Group has been realising an innovative smart city concept together with 5G-Synergiewerk GmbH and the energy utility Mainova since 2023. This involves street lights being converted into 5G sites that are simultaneously turned into digital watering cans for the surrounding trees thanks to the integration of a watering system. The aim is to use the existing urban infrastructure as efficiently as possible, establish a better mobile communications network on the basis of digital solutions and expand green space maintenance, thereby enhancing the city dwellers' quality of life.

Data analytics for the benefit of society

As a mobile operator with more than 48 million connections, the Telefónica Deutschland Group gains access to vast volumes of data in the course of its network operations. This data – such as mobility data – is often exclusively available to it as a network operator. With the mobility insights line of business, the company supports research projects which seek to tap the innovation potential that data analytics offers to all areas of life and for the benefit of society, from climate-friendly mobility and health care to efficient energy management and private consumption. In the [O₂ Telefónica Mobility Monitor](#), the Telefónica Deutschland Group provides information on mobility behaviour in Germany.




The relevance of mobility analysis based on mobile communications data was also borne out during evaluation of the Deutschlandticket nationwide local public transport ticket, which the Telefónica Deutschland Group performed for the Mobility Monitor. Analysis on the basis of anonymised data from the Telefónica Deutschland Group was performed by Teralytics AG. It found that the discounted ticket that allows users to travel throughout Germany on regional rail services generated a good 170,000 additional train travellers per day. Since the Deutschlandticket was rolled out in May 2023, the number of passengers per day has increased from 1.77 million in 2019, prior to the coronavirus, to 1.94 million. Regarding the analysis of commuter journeys, the number of weekday commuter journeys by train has increased by more than a quarter (27.5%) since the ticket was introduced. And people are increasingly leaving their car at home: the number of longer commuter journeys by car fell by 11.8%.

To make it impossible for data from digital sources such as mobile communications to be associated with a specific person, the Telefónica Deutschland Group uses a three-stage anonymisation process (more information on this in the ["Data protection and information security"](#) section).



Consumers and end-users

THE KEY FACTS:

-  There is a high level of satisfaction with O₂'s customer service: with a rating of 1.9, O₂ was ranked second in the category of "Customer service" in the 2023 *connect* customer barometer.
-  The O₂ brand's AI assistance function Aura now greets customers in the O₂ website chat, in the WhatsApp service channel and on the hotline. It resolves many customer issues autonomously such as topping up credit and checking for network faults.
-  For the fourth consecutive year, O₂ was rated "very good" in the *connect* network test 2023.

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 promote growth, general prosperity, social justice and sustainability. As a provider of 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 2023. 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 that suits their habits and individual needs at all times.

In its 2023 materiality analysis, the Telefónica Deutschland Group defined the topic of consumers and end-users as material. A key issue here is that the Telefónica Deutschland Group advances digitalisation within society and makes broad and straightforward participation in digital life possible for people, including by teaching digital skills. 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.

As part of the critical infrastructure, the company makes a crucial 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 is likewise dependent on functioning telecommunications. Network outages harbour financial risks for the Telefónica Deutschland Group and can have a negative impact on the company's reputation due, for example, to consumer legal claims.

Network quality and coverage additionally have a direct influence on customer satisfaction. Other key factors when it comes to customer satisfaction include sales and service quality, 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.

Making the network more efficient and more sustainable

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. The company celebrated its network's 25th anniversary in 2023. The Telefónica Deutschland Group's predecessor VIAG Interkom launched network operations in eight conurbations in 1998. The network subsequently evolved to become one of the most important mobile information superhighways for consumers. The Telefónica Deutschland Group has invested in developing and expanding the German network in recent years. Several individual network expansion measures have been realised in the past three years alone, including new 5G transmitters, additional network capacities and new sites to plug telecommunication dead spots (more on the plugging of telecommunication dead spots in the "Affected communities" section).

Fast expansion of the 5G network is helping to achieve the goal set in the Responsible Business Plan (RBP) of offering the customers a green mobile communications network in Germany by 2025. The Telefónica Deutschland Group has now been using 100% green electricity¹ for its network since 2016. 5G standalone technology (5G SA) transmits significantly more energy-efficiently than the preceding standard 4G, meaning electricity consumption per transmitted byte can be reduced by up to 90%.² 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 can help 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 bring flexibility into their production and logistics workflows. In particular in the case of applications in the area of Industry 4.0, 5G technology results in faster logistics and reduces production process energy consumption per data volume thanks to real-time data transmission. The Telefónica Deutschland Group's 5G network helps companies in many industries reduce their carbon emissions and develop sustainable business models.

Network expansion including the development of new sites for 4G and 5G leads to concerns about health risks caused by radio waves among a small number of people, with these concerns being articulated among the public and in the media. The Telefónica Deutschland Group takes the need for information which this is an expression of very seriously and continues to work on providing the population with information in the best way possible. Compliance with the statutory requirements and limits is monitored and regularly audited by the relevant authorities

(more on the topic of mobile communications and health in the "Affected communities" section).

The delivery situation and the situation in the energy and steel markets eased slightly in the year under review, but costs nevertheless remain above those seen in pre-Covid-19 times and therefore remain a challenge. Once again in 2023 the company was able to manage the shortages together with its partners.

Responsibility for young media users

The Telefónica Deutschland Group wishes to enable young people to use digital media in a competent and safe manner and play a part in protecting them from problematic media content. Many children already use mobile devices and have Internet access. Without the appropriate safeguards, pornographic content and depictions of violence are only a few clicks away. The challenges regarding the protection of children and young people on the Internet include the fact that not all the services can be comprehensively monitored and the fact that the regulations do not keep pace with technical progress.

Complying with the key youth media protection requirements as dictated by the law in Germany is a top priority for the Telefónica Deutschland Group. The Telefónica Deutschland Group therefore sees its responsibility primarily as being to equip its products for children and young people with safety solutions such as the blocking of extra options. It also champions the upholding of children's rights and youth protection by strengthening children's and young people's digital skills and teaching them about problematic online content and cyberbullying (more on this in the "Digital participation" section). It helps parents adopt a responsible approach to their children's mobile freedom. Examples of this were the events held to inform and educate parents on the subject of cyberbullying. Furthermore, various explanatory videos and materials providing information were made available on the topic of guiding a child on using a smartphone for the first time (more on this can be found in the segment "Tariffs and safety solutions for youth media protection" and in the "Digital participation" section).

With its commitment to strengthening children's rights, the company wishes to minimise the potential negative impacts for young people, at the same time strengthening its reputation and customer loyalty as prerequisites for its success. The company is not aware of any instances of the legal requirements regarding youth media protection being violated in 2023.

¹ The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.

² Source: [Nokia confirms 5G as 90 percent more energy efficient | Nokia](#)



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 and medium-sized 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 and 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.

In the area of customer relations, the Telefónica Deutschland Group uses the Net Promoter Score (NPS) and the churn rate as performance indicators and key control parameters. The NPS provides insight into the customers' willingness to recommend products or services. It therefore reflects the overall satisfaction of the customers with the brands as well as with their products and services. The Telefónica Deutschland Group ascertains the NPS at two levels: top-down and bottom-up. 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 the 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 improve 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 stable development in the NPS in 2023. As expected, in the financial year 2023 the postpaid customer churn rate returned to almost the low level it had been at prior to the implementation of the European Electronic Communications Code (EECC) directive in the German Telecommunications Act (TKG) as of 1 December 2021. The churn rate for the O₂ brand in financial year 2023 was 1.0% (-0.12 percentage points year-on-year), while the implied annualised churn rate for the O₂ brand was 11.6%, 1.4 percentage points below the previous year (2022: 13.1%), reflecting in particular sustainable quality and service improvements as well as our focus on customer loyalty.

T 10: Customer loyalty: churn rate of the O₂ brand

	Unit	2023	2022	2021
O ₂ consumer postpaid	%	1.0	1.1	0.9

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 practised via the following measures: targeted initial training for all new 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. A young talent promotion scheme helps 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. The speech analysis is anonymised in order to comply with data privacy requirements. 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. The chosen topics are respectively assigned to a person responsible and the progress made with them is tracked via regular documentation.

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 and via its app to prevent lengthy hotline waiting times. The complaints process is governed by a standard operating procedure.

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 in order to provide the customers with uncomplicated customer service around the clock and independent of location. The Telefónica Deutschland Group achieved its goal of continuously increasing the proportion of contacts with O₂ and Blau that occur digitally in the self-service area. At the end of 2023 83 %¹ of service contacts were managed via the self-service area (2022: 81 %). The target is continue to keep the proportion at a stable high level and achieve at least 82 % here at the end of 2024.

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.

Ethically responsible communications and marketing

The Telefónica Deutschland Group is dedicated to responsible, ethical and high-quality communications. The "Guideline for ethically responsible communication" implemented in the previous year, which goes above and beyond the legal requirements, is part of the brand guardianship process. This means compliance with the defined guiding principles has to be checked before events, corporate communication or marketing campaigns can go ahead. The obligations include honest and respectful communications, political neutrality, gender-inclusive language and focus in particular on youth protection and sustainability. The Telefónica Deutschland Group realises the latter by, for example, transferring communication events to the digital arena or by increasingly eliminating printed communication materials and electronic promotional gifts.

Voluntary self-regulation of media protection for young people

The Telefónica Deutschland Group's internal Youth Protection Officer is appointed in accordance with Section 7 (1) of Germany's Interstate Treaty on the Protection of Minors in the Media (JMStV) and reports directly to the Chief Officer for Legal & Corporate Affairs. They provide the company with advice and support to ensure that products and applications meet the strict legal requirements. The Telefónica Deutschland Group has also been committed to the voluntary self-regulation of mobile communications media protection for young people since 2007. The protection of children and young people online and the promotion of the responsible use of technology and offerings are additionally enshrined in the company's own Human Rights Policy and in the Declaration of Principles on Respecting Human Rights as clear obligations. This is also taken into account in the design of tariffs for young mobile communications users and with

¹ The calculation basis for this performance indicator changed in 2021 due to the data protection legislation introduced. The volume of users without usage consent was therefore projected for web utilisation (from January 2021) and app use (from July 2021).



regard to security solutions for protection against digital risks and content which is harmful to young people. Via contractual provisions, the Telefónica Deutschland Group furthermore wants to ensure that youth protection is integrated into the product and offering design of its business partners.

To further promote youth media protection, the Telefónica Deutschland Group is involved in relevant interest groups such as the German Association for Voluntary Self-Regulation of Digital Media Service Providers (FSM). It is a member of the association's board and is committed to ensuring that practical media protection for the younger generation in Germany always takes into account new trends in children's and young people's user behaviour. The company has also been on the Advisory Board of klicksafe's Safer Internet Centre DE for several years and supports this initiative's media education work in Germany. The EU is supporting the Safer Internet Centres in 27 countries with the aim of promoting the media skills of children, parents and teachers, raising their awareness of the potential online risks and offering children and young people phone-based advice regarding online problems.

STRATEGIC PRIORITIES

Deriving concrete service features from customer feedback

The Telefónica Deutschland Group also uses the 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:

- Improved process and more transparent information for the customers regarding network malfunctions and their rectification
- Introduction of an English-language hotline for technical matters
- Establishment of best-practice exchange among the sites to improve the customer service problem resolution quota

There is a high level of satisfaction with O₂'s customer service, as illustrated by the [connect 2023 customer barometer](#) . With a rating of 1.9, O₂ is ranked second in the category of "Customer service". In the [connect hotline service test](#) , it was awarded a rating of "very good" in 2023 on the grounds that the hotline considers individual user behaviour in relation to tariff matters and recommends an appropriate offering without any sales pressure (more information on recognition of the Telefónica Deutschland Group's customer service on its [website](#)).¹

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 and are digital. Ortel Mobile and AY YILDIZ customers already have the option of topping up their phones by means of instant transfer, credit card and PayPal. Payment via app has additionally been possible since the reporting year. The Telefónica Deutschland Group achieved its target of increasing prepaid top-ups using these solutions by at least 20% in the year under review. It will seek to increase this by a further 20% in 2024. Specialist retailers and the operators of partner shops within the mobile communications industry favour Ortel (first place) and AY YILDIZ (second place) when it comes to ethnic mobile operators. This was the conclusion of the readers of the specialist sales magazine *Telecom Handel* in 2023.

The Telefónica Deutschland Group successfully established the O₂ Switch migration service in 2023 to make it easier for business customers to switch to O₂ from their existing service provider. This provides business customers with personal contacts, thus affording them a tailored service. With this service, the contract data pool is automatically updated and digitalised. This occurs across all sites, digitally and centrally. The personal contacts take the business customers through the migration process right through to being handed over to their dedicated customer support. The Telefónica Deutschland Group continues to expand its portfolio of services for business customers.

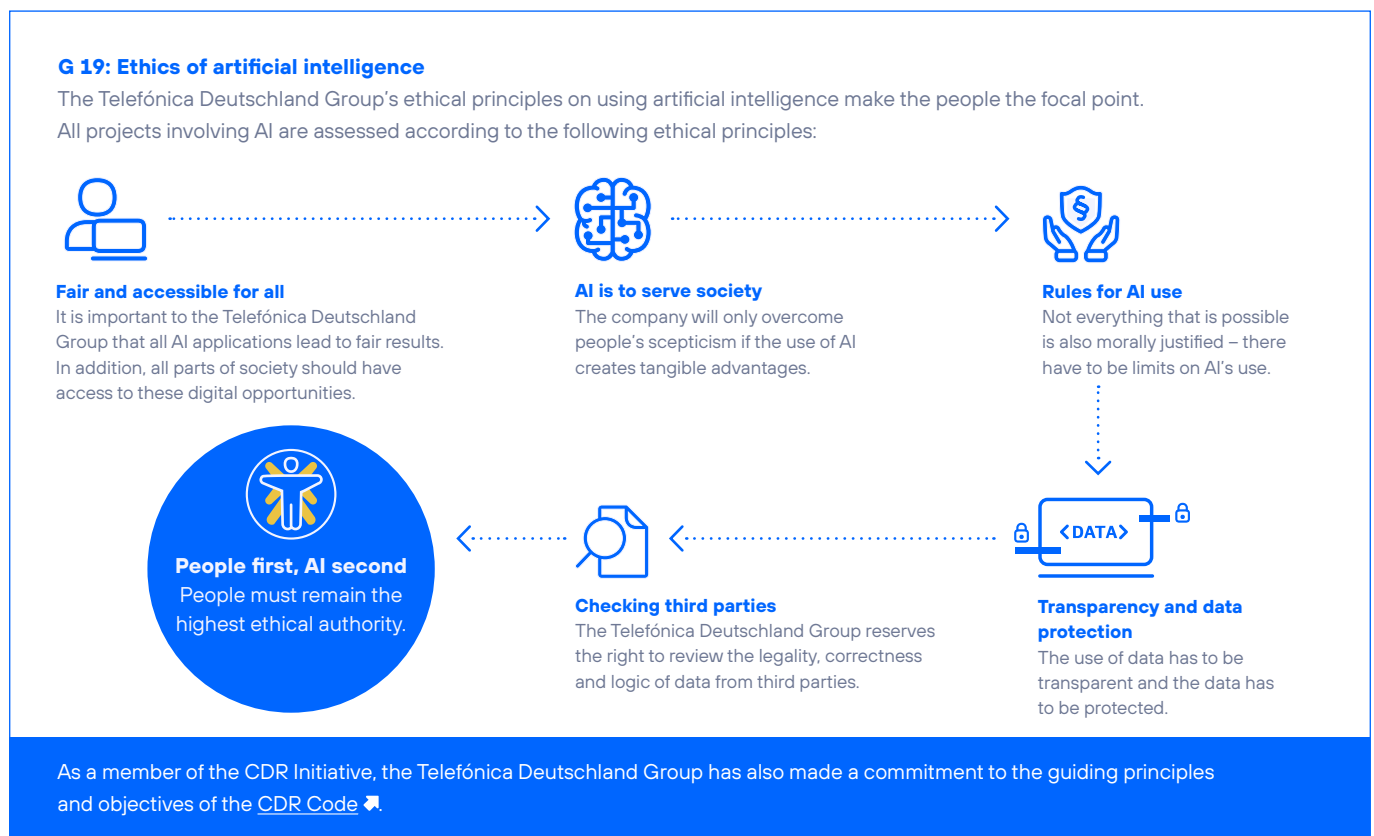
Promoting digital services

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. Among other things, the O₂ form download page was overhauled in the reporting year. The customers now find an explanation of and helpful information about every form. In addition, they are always offered the right digital self-care solution there and then. The reasoning behind this is that the Telefónica Deutschland Group wishes 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. The company analyses user behaviour, evaluates customer feedback and optimises the content in order to continuously improve the service portal.

¹ Source: [Mobilfunk-Hotlines im Test 2023: Wo stimmt die Beratung? | connect](#)

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 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 AI-related projects are evaluated (see graphic below). 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 780,000 registered members and almost 4 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.

Needs-based products and services 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 basis of tailored needs analysis, the customers should only be offered the products and services they actually need. If existing customers who are in at least the O₂ Mobile M tariff extend their contract, they receive a mobile phone on the basis of conditions that are equally as good as those offered to new customers. With the Mein O₂ app, customers can view relevant information such as data volumes or contractual conditions and purchase additional products if needed. In a test conducted by the special-interest magazine *connect* in 2023, the Mein O₂ app was awarded a rating of "outstanding".

The Internet@Home area features O₂ Home as a uniform tariff which applies equally to DSL, cable, fibre optics and the mobile-communications-based O₂ HomeSpot. Customers can choose the best solution for where they live, regardless of the Internet technology available there. As the Telefónica Deutschland Group expanded its cooperation with Vodafone and Tele Columbus in 2022, it can now offer more than 22 million cable households in Germany an O₂ Home tariff with 1 Gbit/s.

The Telefónica Deutschland Group makes it possible for its customers to watch live TV in HD quality. 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 Microsoft cloud gaming product. In addition to the entertainment-related offerings, O₂ Cloud and the updated O₂ Protect portfolio round off the variety of services for the customers' digital lives.

Many major providers of digital services now accept payment via mobile phone bill. Once again in 2023, 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 meet 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 provided as part of the 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. The company introduced another fraud prevention interface, KYC (know your customer) match, in 2023.

Tariffs and safety solutions for youth media protection

Having a mobile phone usually becomes important to children between the ages of eight and ten. As their independence grows, mobile availability becomes more and more of an issue, for example when they go on a school trip or in emergencies. It is important that a child's mobile phone tariff is age-appropriate. With its product design and information services, the Telefónica Deutschland Group helps parents to select child-friendly mobile phone usage and content.

For close and secure communication between parents and children, the Telefónica Deutschland Group offers O₂ Free Starter Flex as an entry-level tariff. Not only does this provide mobile availability, it also gives parents peace of mind and cost control. For example, fee-based data packages and extra options are blocked from the outset. The basic tariff O₂ Free Starter Flex is tailored to children's usage behaviour. In addition to a flat rate for calls to all German mobile communications networks as well as to the fixed line network, it includes mobile data and EU roaming. This means children are able to contact their parents or important contacts at any time.

In the case of O₂ partner offerings that feature direct access to media content, the Telefónica Deutschland Group opts for age verification solutions. With the safety solution O₂ Protect, customers and their children are afforded additional effective protection from digital risks. Parents can activate individual protection mechanisms via the content filter, web protection and program blocking functions. Customers can also secure their Android smartphones using O₂ Protect Mobile.

In addition, O₂ provides tips and information on child safety online on a special website. This includes the option of automatically blocking specific services such as data upgrades, data roaming



and extra options. The Telefónica Deutschland Group provides parents with detailed instructions regarding third-party provider services, call options and premium phone numbers and brings their attention to any risks that still exist. A series of videos released in 2023 entitled "Kindersicher mit O₂" (Childproof with O₂) offers parents important tips on how to safely guide their children around the digital world.

Parents and children can also find useful information about using the Internet and smartphones safely in the *Genial Digital* guide. The Telefónica Deutschland Group published this magazine together with the German Children's Fund, the FSM and the association fragFINN in 2022 as a further development of its previous Internet and mobile phone guides, to offer families even more safety in the area of surfing and the Internet. Children aged eight to eleven can work through the magazine together with parents or teachers. A German-Turkish version of the magazine was also published in 2023 with the assistance of AY YILDIZ.

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.

Telefónica, S.A. has introduced the 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 – currently, 63%¹ of the Telefónica Deutschland Group's business customer products bear this label. The awarding of this certification mark is monitored by the certification company AENOR (more on this topic in the "Circular economy" section).

In the year under review, the focus continued to be on the expansion of digital services for business customers in the areas of the IoT and cloud-based networks – with the aim of accelerating growth in this customer segment. The Telefónica Deutschland Group once again saw high demand in the area of the IoT in 2023 and is expecting further growth in this business field.

5G is significantly expanding the scope of intelligent networking via the IoT once again. This is what is known as "massive IoT", in other words the networking of millions of devices. Through

its network, the Telefónica Deutschland Group is already supporting a large number of companies in the digitalisation of their business solutions in the IoT area as well as in achieving their sustainability targets. The impressive range includes mobility and logistics companies, wearables manufacturers, producers of robots, energy utilities and energy transition start-ups. For example, Lanthan Safe Sky GmbH is putting its faith in a Telefónica Deutschland Group IoT solution for modification of the night-time signal lighting of up to 10,000 wind turbines. Since 2023 this night identification may only be illuminated when an aeroplane or helicopter gets closer than four kilometres. With its IoT solution, the Telefónica Deutschland Group is reducing signal lighting on wind turbines by 98%. Its aim here is not only to contribute to minimising the negative impacts of permanent illumination on animals, but also to boost the acceptance of this sustainable form of energy generation in particular among the local residents.

With its high reliability and short response times, 5G will be an important support for highly sensitive, automated production processes such as robotics and should serve industry as a tremendous efficiency lever. 5G makes a digital factory and fully connected (intra-)logistics processes possible (smart factories). Commodities and goods can then be tracked without interruption and supply chains can be digitally documented. The Telefónica Deutschland Group helps companies turn their production facilities into smart factories and advance their digitalisation. The Telefónica Deutschland Group likewise applies the experience it has in planning and installing mobile communications networks to setting up 5G campus networks too. In a network of this kind, digital services can be securely interconnected according to a company's or an application's individual requirements. The Telefónica Deutschland Group has set up 5G campus networks of this kind among other things for Mercedes-Benz Cars at its Factory 56, at a hospital site in Leipzig for the health care company Helios and for the Prinzhorn Group, an Austrian paper and packaging manufacturer. The company agreed to a long-term collaboration with the Technical University of Munich in the previous year, with the Chair of Materials Handling, Material Flow, Logistics. Among other things, the chair scientists are researching driverless autonomous robots, which can now be deployed far more flexibly thanks to their low response times in the 5G network set up by the Telefónica Deutschland Group.


Customers can use the two network standards NB-IoT (narrowband IoT) and LTE-M (long-term evolution for machines) for automatic data transmission between objects and machines. These LTE subtechnologies, which operate on the same frequency, boast a high range and especially good building penetration. Consequently, [smart meter gateways](#) located in, for example, cellars can also be reached and can be run in an especially energy-saving way in sleep mode, including frequently in purely battery-operated IoT devices. These technologies

¹ Products with Eco Smart certification is the proportion of products with Eco Smart certification awarded by AENOR divided by B2B Global IoT and Big Data (product and solution portfolio).



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 – for example, for metering applications and in building automation. The Telefónica Deutschland Group has responded to the increased market requirements with a high-volume IoT portfolio in order to be able to serve high-volume applications, for example in the area of construction site surveillance. The KITE platform gives customers an overview of and control over the connectivity of their machines, systems and devices, which are often located all over the world. Among other things, the smart SIM card management system produces reports on consumption data, costs and usage behaviour at the device level.

In the area of smart mobility, 5G mobile communications or the new LTE-M mobile communications standard make solutions with increased energy efficiency possible, such as the operation of charging stations for electric vehicles. Entire industry sectors such as logistics as well as companies in all other industries can also benefit from the ability to digitalise their vehicle fleets and individual vehicles. With smart mobility, the Telefónica Deutschland Group offers its business customers analysis applications that enable them to improve driver safety, reduce fuel consumption and lower servicing costs. Telematics solutions such as Geotab enable smart fleet management from a single source. The telematics devices already feature IoT SIM cards provided by the Telefónica Deutschland Group ex-works. With a plug-and-play solution, vehicles are made smart in a matter of minutes and can log vehicle and engine data. The Telefónica Deutschland Group makes interactive solutions for smart mobility, smart production and a smart city tangible for its partners, customers and employees in an innovation experience area in the O₂ Tower.

O₂ Business offers SMEs and key accounts comprehensive cybersecurity solutions. In its [online magazine for business customers](#) , the company regularly covers the dangers of, for example, ransomware and phishing, and explains how companies can protect themselves. With O₂ Business IT Protect, the Telefónica Deutschland Group offers business customers a security solution which is tailored to the requirements of the business in question.

To strengthen the business customer line of business, the Telefónica Deutschland Group collaborates closely with Telefónica Tech in the areas of cybersecurity, the IoT, the cloud, big data and AI. The technology provider is a member of the international Telefónica, S.A. Group and a leader in the field of digital transformation – meaning the Telefónica Deutschland Group and its business customers can rely on expert partners around the world.

Platform for secure identities on smartphones

Smartphones are increasingly being used as a means of personal identification. However, further steps are still needed for the achievement of a security level comparable with that of an ID card or other identification systems. Together with other companies and research institutions, the Telefónica Deutschland Group is therefore championing the creation of a security architecture for services with high protection requirements – the ONCE project designed to simplify processes of great day-to-day relevance with the aid of trustworthy secure digital identities was successfully concluded in 2023. Sponsored by Germany's Federal Ministry for Economic Affairs and Climate Action (BMWK), the project developed technologies for an ID ecosystem that facilitates the use of digital official ID data according to the self-sovereign identity principle. This involved among other things use cases such as a digital school student ID card or a mobile driving licence being realised and tested. The European project POTENTIAL launched in the reporting year serves to develop an EU-wide wallet app for digital identities. The Telefónica Deutschland Group is working with others on a solution for secure SIM card registration for the activation of mobile phone contracts.

Expanding 5G network coverage

The Telefónica Deutschland Group's network expansion initiative in recent years has enabled the public to use fast mobile 4G/LTE data services via the network. The Telefónica Deutschland Group further expanded its 5G network coverage in 2023: at the end of 2023 the Telefónica Deutschland Group was already providing approximately 95%¹ of the population with 5G. It intends to increase this to the whole of Germany by the end of 2025. In the reporting year, places where the company expanded the 5G network included popular German holiday regions, such as the North Sea and Baltic Sea coasts, the Bavarian lakes, the Allgäu and the Alps. For the fourth consecutive year, the Telefónica Deutschland Group's network was rated "very good" in the [network test](#)²  conducted in 2023 by the special-interest magazine *connect*.

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. Just under 10,000 3.6 GHz antennas had been put into operation by the end of 2023. It is also using the 700 MHz frequency, which has a large 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.

¹ The selected population-based evaluation not only includes the household-based supply calculation with a fixed location reference, as reported to the Federal Network Agency. 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 the fact that services are not only in demand at the place of residence, but also on the move. This value is the year-end value for 2023, which indicates the availability of the mobile service outdoors.

² Source: *connect* mobile and 5G network test, issue 01/2024: overall rating "very good" (895 points) for O₂; in total, two "very good" ratings (926 and 895 points) and an "outstanding" one (967 points) were awarded.



In the reporting year 2023 the Telefónica Deutschland Group was able to make additional network capacities available at major events including the Oktoberfest and other large festivals or in the event of weather-related emergencies with 80 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.

Together with Deutsche Bahn, the network equipment manufacturer Ericsson and the transmitter mast operator Vantage Towers, the Telefónica Deutschland Group is drawing up a concept for the development of a comprehensive 5G mobile communications infrastructure along railway lines. The aim is for rail passengers to be able to use gigabit transmission rates for their telephone and data connections. Experts estimate that data rates of up to 5 gigabits per second per train will be needed between the transmitter masts and passing trains by the early 2030s as the data usage of modern office and entertainment applications will continue to increase significantly. The project partners are testing among other things 5G mobile communications via the Telefónica Deutschland Group's 3.6 GHz frequencies to provide rail passengers with gigabit transmission. The project is being funded by the Federal Ministry for Digital and Transport.

At the same time as expanding 5G, the Telefónica Deutschland Group is further improving its 4G/LTE network – the backbone of the mobile communications network – and is focusing here in particular on regions of Germany which have previously been undersupplied (more on this in the ["Affected communities"](#) section).

T 11: 5G coverage

	Unit	2023	2022	2021
Coverage of the total German population with 5G ¹	Rounded in %	95	80	30

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 (Bundesnetzagentur). It also includes commuter flows of the population, so that part of the population is counted at both their place of residence and 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 for 2023, which indicates the availability of the mobile service outside buildings.

Partnerships for a high-performance network

The Telefónica Deutschland Group offers its customers extensive 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 here with a number of telecommunications service providers and network operators including Vodafone, Tele Columbus and Deutsche Telekom and is connected to vitroconnect's open-access platform, the

leading network-independent platform in Germany. In addition to Tele Columbus's broadband cable network, O₂ customers have also been able to use surf speeds of up to 1 Gbit/s since April 2022 with connections realised via the Vodafone access network thanks to an expanded cooperation with Vodafone. Through its cooperation with Deutsche Telekom, the Telefónica Deutschland Group has also been able to market real fibre-optic connections with speeds of up to 1 Gbit/s since late November 2022. It also offers O₂ Home products with gigabit speed 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.

Technological innovations in the mobile communications network

5G makes very high demands on the mobile communications transport network that takes the users' mobile communications signals from the transmitter stations within the access network locally to the backbone. Previously, only fibre optics could provide the transport network speed that the customers need to enjoy all the benefits of 5G. At the same time, the Telefónica Deutschland Group is additionally connecting its 5G mobile network stations via high-capacity directional radio systems in locations where no fibre-optic infrastructure will be available in the foreseeable future. Due to a shift in the physical limitations of directional radio systems, their high degree of flexibility and the cost and time savings, the directional radio solution is helping the Group to achieve its goal of fast 5G network expansion.

Since 2023 Telefónica Deutschland Group customers have been able to surf in and make calls via the new 5G Plus network. This is based on the 5G standalone technology (5G SA) that exclusively uses the frequencies designated for 5G. As the currently most up-to-date mobile communications standard, 5G Plus allows for almost real-time communications, delivers even greater speeds and offers new functions. This improves how the customers experience digital applications such as virtual and augmented reality as well as sophisticated mobile gaming.

The Telefónica Deutschland Group has its sights set on the next development stage: the future 6G standard is set to be around a hundred times faster than 5G and reduce the transmission time to a matter of microseconds. Demand for such fast networks will increase considerably in the years to come, such as in the area of medical technology, where, for example, medical equipment, applications and cloud platforms will be connected.

Since 2023 the Telefónica Deutschland Group has been working closely with the 6G Health Lab in Markkleeberg just outside the city of Leipzig as an infrastructure partner. This is researching what treatment opportunities arise from combining real-time communications and extremely high data transfer rates.



Network slicing technology is being deployed in this project for the first time. Here, the Telefónica Deutschland Group is making a separately protected chunk of its public 5G network available to its partner.

Together with its technology partners, the Telefónica Deutschland Group is using a multi-manufacturer interface for software-defined networking (SDN) in its mobile communications network. The interface is compatible with various directional radio systems, enabling changes to be made to the directional radio connections across all the manufacturers uniformly and essentially in real time. With the aid of SDN and microservices based on this, the Telefónica Deutschland Group was able to automate some initial operations processes and therefore reduce the number of externally purchased services. In addition, a higher degree of automation allows network expansion to be advanced more quickly and with higher quality. SDN also opens up new lines of business: the Telefónica Deutschland Group is assisting local authorities with their digitalisation with its software-defined wide area network (SD-WAN). This network allows local authorities to configure services according to their needs and, for example, incorporate cloud services.

Again in 2023 the Telefónica Deutschland Group put huge effort into testing open RAN (ORAN) technology and cloud RAN technology. In contrast to the developments until now of leading mobile communications technology manufacturers, ORAN has a modular set-up featuring the hardware and software of various producers. This means less fixed infrastructure will need replacing during future modernisations. The company is currently trialling the technology and gaining experience. This included the Telefónica Deutschland Group implementing the first Ericsson cloud RAN solution in Europe within the Wayra innovation laboratory in 2023, together with the network equipment provider Ericsson. With this solution, the Telefónica Deutschland Group is virtualising a number of the radio access network's components and functions, running them as software. The company can use standardised hardware for this.

In a comprehensive transformation process, the Telefónica Deutschland Group is making its network and IT systems more flexible and aims to move systems from data centres to the cloud by 2025. A detailed strategy was drawn up for this which takes into account all the technological advantages of cloud structures for the business. In training sessions, developers acquire additional skills for the creation of new architectures or the development and operation of new applications (more on the topic of professional development in the "[High-quality training and professional development at the stages of life](#)" section).

Wayra: successful partnerships with start-ups

Wayra is the Telefónica Deutschland Group's open innovation hub that helps start-ups test and scale solutions and products. Each of the start-ups supported by Wayra has direct contact with a company department with the aim of their products being integrated into the existing systems and core business. Wayra offers young entrepreneurs an innovation network spanning nine countries and direct access to the latest digital technologies such as 5G and edge computing. It also provides coaching, mentoring, advice, modern offices in the heart of Munich and funding.

To date, more than 480 start-ups have developed high-tech solutions for end customers and industry together with Wayra. 90% of all the start-ups with which Wayra has realised a pilot project are still active in the market or have successfully been sold. The Telefónica Deutschland Group promoted 25 new start-ups in the areas of AI, fintech, the IoT, data analytics and sustainability through Wayra in 2023.

In the reporting year, Wayra organised among other things the Open House Day, which focused on the topics of sustainability and social responsibility. In addition to 17 start-ups, this was attended by around 200 Telefónica Deutschland Group employees.

According to the German Startup Monitor, around 20% of those who founded a start-up in Germany in the year under review were female. This means the positive development seen in recent years has not continued, with the proportion of female start-up founders stagnating at a low level. This shows that further targeted promotion of women in start-ups is needed. Wayra therefore has the topic of diversity firmly enshrined in its strategy and has agreed appropriate KPIs for all of its employees. For example, the venture development managers are required to scout suitable female-managed start-ups and incorporate them into the programme, i.e. start-ups which are managed by women or which have at least one woman at the C-level of management. The start-ups managed by women which are promoted by Wayra include guud GmbH, a start-up that offers employees sustainable benefits.

Wayra's promotional activities are increasingly focusing on start-ups which are developing sustainable 5G applications. The Telefónica Deutschland Group runs the 5G Tech Lab to support these: at a showroom in Munich, in the Wayra office covering more than 1,000 square metres, start-ups which are developing sustainable innovations in the areas of 5G and the IoT can make use of the very latest technology infrastructure, collaborate with 5G experts and developers and present their ideas to companies in the Telefónica network. One of the start-ups presenting its solutions in the 5G Tech Lab is Haltian. This young company



provides its customers with smart data regarding office use. Employees can then consult screens to see which rooms are occupied and can, if they wish, mark their own workstation for the day so that their co-workers can find them more quickly. Haltian creates a digital twin of the rooms to this end and uses IoT sensors to record not only occupancy, but also the temperature and air quality. The Telefónica Deutschland Group is using the Haltian solution in the O₂ Tower in Munich.




Webmag is another Wayra start-up with a sustainable approach. The customers can create digital sales and marketing materials on a platform. The Telefónica Deutschland Group completely digitalised the O₂ brand's printed flyers in collaboration with Webmag. The Berlin-based start-up The Climate Choice, which is supported by Wayra, likewise assists companies with decarbonisation. Its focus is the supply chain. The Telefónica Deutschland Group is cooperating with The Climate Choice to analyse and ultimately reduce its own supply chain emissions (more on this in the "[Climate change](#)" section).

The start-ups with a social focus which are promoted by Wayra include enna and ARTICLY. enna has developed a dock and cards in bank card format that afford the elderly access to the digital world. This enables them to communicate with friends and family and use entertainment content such as podcasts and on-demand content. The enna dock is the first product in the Wayra start-up portfolio to be made available for sale by the Telefónica Deutschland Group. The start-up ARTICLY promotes social integration by offering people who have reading difficulties newspaper and magazine articles in audio form (more on dismantling obstacles to access to the digital world in the "[Digital participation](#)" section).



Digital participation

THE KEY FACTS:

-  The Telefónica Deutschland Group promotes the development of digital skills to deal with digital media and technologies with social programmes and educational materials for both the young and the old.
-  The WAKE UP! initiative helps young people with the opportunities and challenges of the digital world by teaching them about, for example, cyberbullying, disinformation and AI to strengthen their digital sovereignty.
-  The “Digital mobil im Alter” (Digitally mobile in old age) programme champions senior citizens’ digital participation and their safe and competent use of the Internet. The scheme also assists them in remaining independently active for longer with the aid of mobile devices and the Internet.


BASIC PRINCIPLE AND CHALLENGES


Making people fit for the digital world


For everyone to be able to enjoy the benefits of digitalisation and navigate the digital world in a self-determined and safe manner, the Telefónica Deutschland Group supports the reduction of inequalities within society and the promotion of digital participation. The company wishes to afford all population groups access to the information and communication opportunities which are available in the digital world irrespective of their age, origins, place of residence or income. This is dependent on their having knowledge of and skills in the use of technologies. The safety of digital services and the ability to be able to access communication services from anywhere are other essential factors. The Telefónica Deutschland Group wants to combat the digital divide within society with an efficient network which connects people living in rural areas just as well as those in towns and cities (more on this in the “[Affected communities](#)” section).

As part of its Responsible Business Plan 2025 the Telefónica Deutschland Group is pursuing the goal of making people fit for the digital world. It wishes to help its customers with all the new developments and challenges relating to the use of digital services and digital products. The company is dismantling obstacles to access and thereby also tapping new customer groups in various projects and with a variety of products and services. The Telefónica Deutschland Group’s social programmes are aimed primarily at young people and the elderly, who frequently do not have the digital skills needed to make the most of the opportunities offered by digitalisation.

The Telefónica Deutschland Group also raises awareness of the risks involved in using media content in its digital participation and skill-teaching programmes. These risks include not being able to recognise fake news and disinformation and therefore being influenced by such news. Fake news as well as abuse and hate speech are phenomena to which many children and young

people are exposed: 58% of the 12- to 19-year-olds surveyed for the [JIM Study 2023](#)  published by the Media Education Research Association Southwest (mpfs) stated that they had encountered fake news in the past month. A good half of them had seen abusive comments, while 14% had themselves experienced hostility.

The Telefónica Deutschland Group wishes to champion the upholding of [children’s rights](#)  and youth protection by strengthening children’s and young people’s digital skills and teaching them about problematic online content and cyberbullying. It helps parents adopt a responsible approach to their children’s mobile freedom, among other things with the “Kindersicher mit O₂” (Childproof with O₂) series of videos released on YouTube in 2023 (more on tariffs and safety solutions for youth media protection in the “[Consumers and end-users](#)” section).

The children and young people of today are the skilled workers of tomorrow. By promoting young people’s digital skills, the Telefónica Deutschland Group is also investing in the ability of Germany to compete as a place of business. According to a study conducted by the [Bitkom digital association](#) , nine out of ten schoolchildren (87%) consider poor or a lack of Wi-Fi to be a most pressing problem at their school. More than half of the schoolchildren surveyed complained about the poor technical equipment and 48% about the insufficient use of digital devices and educational media. The Telefónica Deutschland Group equips schoolchildren with tablets and Internet access.



PROCESSES AND MANAGEMENT

Targeted further development of the social programmes

The Telefónica Deutschland Group supports the responsible use of digital media by children and young people among other things with programmes and projects specially designed for this. The CR&S directorate is responsible for these social programmes created by the company, manages their development and the processes together with cooperation partners and reports directly to the Chief Officer for Legal & Corporate Affairs of the Telefónica Deutschland Group. Digital inclusion is enshrined in the [Human Rights Policy](#) as part of the company's obligation to society.

The Telefónica Deutschland Group plays a part in protecting children and young people online and supports this group in using digital media responsibly with specially designed programmes and projects. This protection is likewise enshrined as an obligation in the Human Rights Policy and in the Declaration of Principles on Respecting Human Rights. These guide the company's actions, as does its commitment to the voluntary self-regulation of mobile communications media protection for young people (more on this in the ["Consumers and end-users"](#) section). The internal Youth Protection Officer likewise reports to the Chief Officer for Legal & Corporate Affairs.

To achieve its digital participation objectives, the Telefónica Deutschland Group regularly evaluates its nationwide measures and projects and develops them further in a targeted manner on the basis of scientific studies. Here, it uses the D21-Digital-Index, a study produced annually by Initiative D21 that determines the degree of digitalisation within the population. The Telefónica Deutschland Group serves as a data collection partner. The Telefónica BASECAMP serves as a central platform for societal dialogue regarding digital inclusion issues. The company evaluates feedback from the support projects and the related events and it records the participant numbers. The degree to which the guides and the company website are used is also determined.

The Telefónica Deutschland Group has reached more than 2.5 million people¹ using various measures in the context of its social programmes, thus exceeding the target of 2.5 million people.

STRATEGIC PRIORITIES

Taking a stand against cyberbullying

Cyberbullying has become a growing problem in society that affects young people in particular. According to a 2022 study by Bündnis gegen Cybermobbing (Alliance against cyberbullying), more than 1.8 million children and young people in Germany alone have been victims of online threats and abuse. This equates to 16.7% of children and young people aged between 8 and 21. Cyberbullying can lead to anxiety and sleep disorders or depression. What is especially alarming is that 15% of the children and young people affected have resorted to alcohol, tablets or drugs in the past out of despair, while 25% have expressed suicidal thoughts.

The Telefónica Deutschland Group tackles cyberbullying with its "WAKE UP! Gemeinsam gegen Cybermobbing" initiative: in a six-part web series, schoolchildren, teachers and parents are taught about what forms cyberbullying can take and learn how they can play a part in fair and respectful interaction online. eduStories – digital teaching modules with a fun character via which schoolchildren are set tasks that they can solve with the aid of multimedia content – are another element. There are [teaching materials](#) for schools and teachers that provide an [overview of helpful contact points](#) for those affected, in addition to interactive assignments.

In 2023 the Telefónica Deutschland Group developed a smart board presentation featuring didactic aids, which teachers can use to hold a lesson on cyberbullying and digital violence. All the services and information, including further background information, to do with the topic of cyberbullying are pooled on the website [wakeup.jetzt](#) and can be accessed for free. In the year under review, the Telefónica Deutschland Group presented the initiative at the third network meeting of [Allianz für Digitale Kompetenzen](#) (Alliance for Digital Skills) at the Bavarian State Ministry for Digital Affairs.

The Telefónica Deutschland Group also supports the online advice platform of the association [Cybermobbing-Hilfe e.V.](#) with donations. People seeking assistance are taken from the website to the advice platform at the click of a mouse. They then receive a personal response from peers with appropriate training within 24 hours at the latest.

¹ The calculation is based in part on projections. The figure for a reporting year is made up of the total number of website visitors, downloads of materials, and visitors to live and online events and training courses as well as podcast streams, views of explanatory videos and other digital offerings. The Telefónica Deutschland Group distinguishes between involved and reached persons. Involved persons are those who the company has also trained or advised, among other things. Reached persons are also those who have merely informed themselves about its offerings, i.e. including the media reach. This distinction is made because the company does not know whether these people were only aware of the learning opportunities or actually used them.



The Telefónica Deutschland Group organised various activities and workshops in the year under review to further strengthen young people's digital sovereignty and social cohesion. For example, a large hybrid workshop was held at the O₂ Tower in Munich, which was attended in person by three school classes as well as around 7,000 schoolchildren who tuned in online. In this interactive workshop with cyberbullying experts and influencers, the schoolchildren were provided with answers to questions such as "Who can I turn to if I am being bullied?" and "How can I handle the situation and see to it that the bullying stops?" The participants were able to interact with the guests in the studio and anonymously ask questions using interactive tools such as chats and live polls.

The Telefónica Deutschland Group also organised workshops for parents this year for the first time. For example, an information event for parents on the topics of cyberbullying and digital violence was held online ahead of the large anti-cyberbullying event. Interested mothers and fathers were able to participate via a live stream and ask the experts questions.

In addition to cyberbullying, the company focused in 2023 on education formats on the topic of AI. During the anti-cyberbullying workshop, the young participants composed a song against cyberbullying and for respect online with the assistance of AI and the musician Chima. During the BASECAMP themed week, schoolchildren and senior citizens came together in an [intergenerational dialogue](#) to learn from one another. Together with representatives from the fields of politics and media, the young and elderly participants completed an interactive experience course, learning more about the background to and opportunities and challenges of using AI. In mixed-age groups, various programs were tried out, including image generation software and a chat program. They also discussed the dangers of using AI, such as discrimination and disinformation, with member of the German Bundestag Armand Zorn. The WAKE UP! services were also disseminated via the [Alliance for Digital Skills](#) (#DigitalDabei) of the Bavarian State Ministry for Digital Affairs.

Around 98,200 people were involved in training courses with the WAKE UP! programme in 2023.¹

Improving digital education opportunities for children and young people

The Telefónica Deutschland Group wishes to play a part in boosting digitalisation in education with its products and services too. For example, O₂ Business is making quick access to the age of digital learning possible with a digital package for schools that is simple and efficient in equal measure. Depending on whether

the school in question already has Wi-Fi and/or mobile devices, the packages contain Apple hardware, a mobile communications tariff with unlimited data usage, teaching apps and IT support. Default technical settings ensure that the Internet can only be used for setting up teaching apps and therefore solely for school-related purposes. In a Telefónica Deutschland Group pilot project initiated in 2023 in cooperation with the educational media provider Cornelsen, schools in Bavaria and North Rhine-Westphalia are offered a full package comprising hardware, device administration and digital teaching media.

Children and young people from socially disadvantaged families are the focus of the [Haydee! social project](#), which the Telefónica Deutschland Group and the ethnic brand AY YILDIZ support together with donations in kind. The initiative affords schoolchildren with a migrant background among other things free access to tutoring.

The Telefónica Deutschland Group offered workshops on the topic of breaking down language barriers through digitalisation for the first time in the reporting year. These were held at two primary schools in Dortmund and Schwerte as well as at the BASECAMP in Berlin on World Children's Day. The family afternoon in the capital was held together with the organisation My Migrant Mama. At a variety of stations, the adults and children were able to test digital applications that help with learning new languages, understanding foreign-language content better or communicating with one another without language barriers. In a reading hour, the children's book *Yuki und die Sprache des Waldes* (Yuki and the language of the forest) published by O₂ was read to children. In the book, the penguin Yuki comes up with a number of ideas for how to communicate with forest animals even though he doesn't speak their language. Media experts also gave the parents advice on how they could help their children to learn languages.

Facilitating communication for migrants and refugees

For 18 years now, the Telefónica Deutschland Group's AY YILDIZ brand has been offering people with Turkish roots in Germany products for mobile communication and Internet usage in both Germany and Turkey. Ortel Mobile, a key prepaid service provider for people with a migrant background and likewise a member of the Telefónica Deutschland Group, has been operating in the market for just as long. With these two ethnic brands, the company would like to afford people who have migrated to Germany easy access to mobile communication in Germany. The digital payment methods are being continuously expanded to this end. Customers can top up their credit using PayPal, a credit card, instant transfer, via an app and via an innovative WhatsApp dialogue. The Telefónica Deutschland

¹ The calculation is based in part on projections. The figure for a reporting year comprises the total number of website visitors, users of the web series, eduStories users, the visitors to live and online events, and the users of the smart board presentation. Teachers can use the smart board presentation to reach an additional 25 students on average per lesson held. The Telefónica Deutschland Group makes a distinction between involved and reached people. Involved people are people who are, among other things, also trained or advised by the company. 98,184 people were involved in the WAKE UP! programme in the year under review. Reached people are those who merely sought information about the company's offerings, i.e. including the media reach. This distinction is made because the company does not know whether these people were only aware of the learning opportunities or actually used them.





Group provides information on tariffs and contractual conditions by means of multilingual documents and via a service hotline in Turkish.


In particular people affected by war, state oppression or natural disasters experience how valuable unrestricted access to information and to telecommunications is. Since 1 July 2022 Ukrainian refugees have been able to use an inexpensive prepaid tariff through Ortel comprising a flat rate for phone calls in all the German networks and 300 minutes free of charge per month for calls to Ukraine. After the earthquake in Syria and Turkey in 2023 the Telefónica Deutschland Group made its customers' calls and text messages from Germany to these two countries free of charge. The company likewise responded immediately to the earthquake in Morocco and the flood disaster in Libya: Ortel Mobile customers were given an amount of free minutes for calls made to these two countries. In the entire Israel region including the Palestinian territories, customers were able to make phone calls and send text messages for free across all the different brands following the outbreak of the war; this included both from and to Germany. Information on the personal engagement of Telefónica Deutschland Group employees can be found in the "Own workforce" section.


Promoting digital participation among senior citizens


Together with the Digital Opportunities Foundation, the Telefónica Deutschland Group has been championing greater digital participation among senior citizens for more than ten years. With the project "Digital mobil im Alter"  (Digitally mobile in old age), for example, the cooperation partners give elderly people the opportunity to spend eight weeks familiarising themselves with tablets and gaining online experience with the support of experts. In this project, the two partners provide facilities and organisations for senior citizens with free tablets that include mobile data connection and feature pre-installed apps. In 2023 end devices equipped with a SIM card were loaned to 489 senior citizens¹ in Germany.


Through the project "Digital mobil im Alter" , senior citizens can not only learn how to use digital technologies more safely, but also communicate their thoughts, wishes and fears regarding digitalisation. Around 74,400 senior citizens were involved in 2023.² The focus in many towns/cities in 2023 was on the "Digital Walk"  format. These Digital Walks are digitally guided town trails. A group of senior citizens uses a digital guide (Actionbound app on a smartphone or tablet) during an excursion or a walk in a neighbourhood, solves tasks and puzzles, and is provided with information on interesting waypoints. Employees of the Telefónica Deutschland Group and the Digital Opportunities

Foundation also accompanied groups of senior citizens in Munich and Düsseldorf on digital paperchases during the Telefónica Volunteering Week and on the Germany-wide Digital Day.

The Digital Opportunities Foundation again organised virtual games rounds for senior citizens on the occasion of public holidays and celebrations including Easter, Halloween and Christmas in 2023. Those who played shared their knowledge, experience and ideas and also learned how to use videoconferencing software or were able to deepen their knowledge. This year for the first time, those who participated in the Christmas quiz were able to win digital technology. Employees assisted with preparation and realisation as part of the Telefónica Deutschland Group's corporate volunteering programme (more information on the programme in the "Own workforce" section). The new www.digital-mobil-im-alter.de  website was additionally launched in the reporting year, with content aimed specifically at senior citizens and those who support them such as old people's facilities and initiatives.

Under the title "Digital(es) einfach erklärt" (Digital matters explained simply), the Telefónica Deutschland Group offers videos on its [website](#)  that introduce users to utilising search engines, video platforms and the operating systems of mobile devices. With online "expeditions into the digital sphere", the company wishes to arouse the interest of the elderly in digital media and encourage users who already have experience to help beginners explore the digital world.

With an information package entitled "Faktisch betrachtet – Fit gegen Fake News" (Factually speaking – fit for fake news), the Telefónica Deutschland Group provides a topic overview and a checklist for identifying false and disinformation. It also features explanatory videos, an online quiz and a series of video talks. The materials can be used by, for example, trainers conducting further training. The "Digitale Kompetenzen für ältere Menschen"  (Digital skills for the older generation) guide provides key support in the development of teaching offerings for senior citizens.

The "Digital mobil im Alter" project focused on the topic of AI in 2023. To mark the International Day of Older Persons, the Telefónica Deutschland Group published an [information pack](#)  featuring articles on how AI works and how it can be used. It also included an article on the potential risks such as deepfakes and scams. These topics were also discussed in the intergenerational dialogue held at the BASECAMP, which was attended by 50 senior citizens and 50 schoolchildren. The AI focus is complemented

¹ Regarding tablet loans, approximately 50% of the 489 tablets loaned to individuals were additionally used by another person. These second users are included in the number of senior citizens.

² The calculation is based in part on projections. The figure for a reporting year comprises the total number of website visitors, downloads of handouts and guides, and visitors to live and online events. Regarding tablet loans, approximately 50% of the tablets loaned to individuals were additionally used by another person. The "Digital mobil im Alter" (digitally mobile in old age) programme involved 74,418 people in the reporting year.



by a [podcast with Ria Hinken of the Alterskompetenz network](#) 🗣️. This addresses the challenges, opportunities and risks for the elderly when dealing with AI as well as, for example, the question as to how senior citizens can be involved to a greater extent in the development of AI tools.

Reducing barriers to digital communication

The Telefónica Deutschland Group endeavours to make access to information and contract contents as simple and as intuitive as possible so that everyone can contact the company easily and can quickly locate general information regarding products and services as well as their own contract details. To this end, the Telefónica Deutschland Group also offers videotelephony and the digital AI assistance function Aura. With its digital services at [o2online.de](#) 🗣️, the company also affords digital beginners intuitive access to contractual matters and other information. A [guide for beginners](#) 🗣️ explains day-to-day digital features and technological developments to those who have previously focused on these only minimally, if at all.

The Telefónica Deutschland Group addressed the question as to how the company could make the AI assistance function Aura more accessible in the Initiative D21 university competition [Digital Future Challenge](#) 🗣️ in the reporting year: in the 2023/24 winter semester the participating students have the opportunity to adopt environmental, social and governance perspectives on the responsible use of AI and to seek creative solutions to these and other challenges. The #AIAllies team from Ludwig-Maximilians-Universität München showed how AI used in a sign language avatar in customer support can lead to greater accessibility and equal opportunities, as well as contribute to the optimisation of human-machine interaction and respectful interaction, and took second place with the Telefónica use case. The Digital Future Challenge is under the patronage of Federal Minister for Digital and Transport Volker Wissing. The question as to how products, services and initiatives could be made inclusive was likewise discussed at the conference of the Corporate Digital Responsibility Initiative in the reporting year. A workshop entitled "Wie können Vielfalt und Profit Hand in Hand gehen?" (How can diversity and profit go hand in hand?) was headed by employees of the Telefónica Deutschland Group and Deutsche Telekom.

The Telefónica Deutschland Group uses its open innovation hub Wayra to promote, among others, start-ups which facilitate people's access to media content and digital tools. One of these is enna, a product that helps the elderly to use apps and other digital applications. The [enna](#) 🗣️ dock is made available for sale by the Telefónica Deutschland Group. Wayra also promotes [ARTICLY](#) 🗣️. This start-up offers people with reading difficulties articles and newspapers in audio form (more on Wayra in the "Consumers and end-users" section).

The shop and hotline staff are trained to be able to assist customers with their questions regarding digital topics. In face-to-face conversations locally and via video chats, they again familiarised users of different ages with using digital technologies in 2023. The video-based advice options were used 2.6 million times in the year under review.

Hearing-impaired people can contact the Telefónica Deutschland Group using the O₂ service number +49 (0)89 666 630 074 provided by the Tess Relay-Dienste sign language interpreting service and are offered swift assistance regarding mobile communications, the Internet and fixed line network matters. This ensures that calls placed by hearing-impaired people are prioritised and that they can reach specially trained agents. The Telefónica Deutschland Group allows hearing-impaired people to send unlimited text messages. In addition, hearing-impaired customers can use the text message emergency service to send the company a text message with the prefix 329 and the fax number of their emergency contact. A specialist service provider then forwards the message by fax. Visually impaired users can have certain website content read to them aloud.

O₂ also offers devices which, with important applications conveniently already installed, make the lives of senior citizens and people with disabilities easier, such as the Android smartphone emporiaSMART.3 and the flip phone emporiaTOUCHsmart. What all of the provider's models have in common is ease of use, a simple display, compatibility with hearing devices and an emergency call function.

In terms of tariffs too, the Telefónica Deutschland Group wants to expand the opportunities for senior citizens to use digitalisation simply and uncomplicatedly. Existing [customers aged 60](#) 🗣️ and over are offered a permanent EUR 10 discount on the monthly basic fee for the current O₂ Free mobile communications tariffs. This price advantage makes it easier for this target group to opt for more data volume right from the start instead of a basic tariff. With the O₂ my Service YouTube channel "[Digital\(es\) einfach erklärt](#)" 🗣️ (Digital matters explained simply), the Telefónica Deutschland Group inspires senior citizens and other customer groups to use digital media and explains things such as how to set up O₂ TV or activate a SIM card.



Social aspects: commitment, targets and status in the reporting year

Below, the targets, commitments, performance indicators and ambitions are listed for the areas of action focusing on employees as well as customers and society from the Responsible Business Plan 2025. Detailed information about this plan, which forms the foundation of the Telefónica Deutschland Group's sustainability strategy, can be found in the "Strategy" section.

Employees

"Driving the digital working world forward"

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
Employee Net Promoter Score (eNPS)	The employee Net Promoter Score (eNPS) is a sign of the likelihood of employees recommending the Telefónica Deutschland Group as an employer.	> 40	78	> 40

Future employability

"We will create a framework which enables all employees to contribute their diverse skills and continue to develop personally, thereby boosting their long-term employability. The safety and health of our employees are especially important to us here."

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
Further training in the digital and data area	Percentage of employees who participated in further training in the digital and data area		74.5%	2025: 90%
Employee mobility: job rotations	Number of job rotations per year. Job rotation is a temporary change to another department or business unit that gives employees the opportunity to learn new things, expand their portfolio and develop their personal skills.	50	92	≥ 50

Creating an attractive work environment

"We will focus on interactions founded on fairness, equal opportunity, diversity and working together as partners to jointly shape the world of work."

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
Women in management positions (incl. Management Board)	Percentage of women in management positions (incl. Management Board)	33.1%	32.2%	33.7%
Perceived balance of work and private life	Perceived balance of work and private life as measured in the employee survey, coupled with a positive influence on productivity	> 80%	86%	> 80%
Adjusted gender pay gap	The (adjusted) gender pay gap is calculated on the basis of the Telefónica Deutschland Group employees who are either in active employment or are on a paid sabbatical.	Approx. 2.5%	1.5%	Approx. 1%

[Click here for ESG data and indices.](#) ↗



Customers and society

"Offering high-quality products and services and ensuring digital inclusion for all with our modern network"

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
Telefónica Deutschland Group NPS	The top-down NPS assesses the customers' general willingness to recommend the company based on their overall experience with it (irrespective of whether or not there has been contact with the company). On a scale of 0–10. NPS = % of promoters – % of detractors.	Increase	Stable performance	Increase in customer satisfaction (NPS)

Product, service experience and digital skills

"We will offer our customers the best value for money and the top service experience. We want to enable all people to benefit from the digital world and we want to promote their digital skills with special initiatives."

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
O ₂ NPS	The top-down NPS assesses O ₂ customers' general willingness to recommend the company based on their overall experience with it (irrespective of whether or not there has been contact with the company). On a scale of 0–10. NPS = % of promoters – % of detractors.	Increase	Stable	Increase in customer satisfaction (O ₂ NPS)
B2P NPS	The top-down NPS assesses the partner brand customers' general willingness to recommend the company based on their overall experience with it (irrespective of whether or not there has been contact with Telefónica). On a scale of 0–10. NPS = % of promoters – % of detractors.	Increase	Slight deviation	Increase in customer satisfaction (B2P NPS)
RepTrak	Reputation measurement: society's perception of the company's performance (scale: 1–100 points)	Stable reputation scores	Reduced reputation scores	–

Network quality & coverage

"We will offer our customers a modern and high-performance network infrastructure and facilitate access to the digital world."

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
Proportion of the rural population with 100 Mbit/s	The 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 (Bundesnetzagentur). It also includes commuter flows of the population, so that part of the population is counted at both their place of residence and 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 figure is the 2023 year-end figure representing the availability of mobile services outdoors.	97 %	98.9%	99.2 %
Coverage of the total German population with 5G	The selected population-based evaluation does not only include the household-based coverage calculation with fixed location reference as reported to the Bundesnetzagentur. It also includes commuter flows of the population, so that part of the population is counted at both their place of residence and 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 figure is the year-end figure representing the availability of mobile services outdoors.		94.5 %	2025 target: 99 %




[Click here for ESG data and indices.](#)



Governance aspects

Business conduct

THE KEY FACTS:

-  The Telefónica Deutschland Group condemns all forms of corruption and reinforces this with a clear zero-tolerance commitment.
-  A digital tool takes the employees through the guideline rules regarding gifts and invitations in the form of questions and answers.
-  The Telefónica Deutschland Group has further expanded its whistle-blower channels for the safe and confidential reporting of violations of the law and rules.

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. In view of these factors and due to its overarching relevance, the topic of corruption and bribery was identified as material 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, which in turn safeguards long-term business relations and financing opportunities. The Telefónica Deutschland Group has been offering whistle-blower channels for a number of years that guarantee the employees confidentiality when they report wrongdoing. Before Germany's new Whistleblower Protection Act (HinSchG) entered into force in mid-2023, the Telefónica Deutschland Group brought its whistle-blower policy into line with the act's requirements and further developed its whistle-blower channels (more on this in the "[Strategic priorities](#)" section).

Observing statutory requirements, international standards and internal guidelines is a matter of course for the Telefónica Deutschland Group. The Telefónica Deutschland Group's Business Principles serve as the foundation for its actions. These were drawn up with the utmost care to ensure that they meet the 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. Regarding the material topic of corruption and bribery, we are guided in particular by the OECD guidelines for multinational companies and the UN Convention against Corruption. The Business Principles are directed at the employees, suppliers, business partners and shareholders and the company as a whole. As a binding code of conduct, the Business Principles 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. In the year under review, the Telefónica Deutschland Group was presented with the ESG Transparency Award by EUPD Research. The market research institution awards the prize to organisations that stand out due to sustainability concepts in their corporate strategies and champion the sustainable orientation of business by setting an example.



For the Telefónica Deutschland Group, this is about more than merely meeting statutory requirements. The Group aspires to continue to develop and ensure 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 just 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 topic of corruption and bribery as 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 Telefónica Deutschland Holding AG bodies (this includes members of the Management Board) see a potential conflict of interest, they disclose this among others to the Supervisory Board or the Chair of the Supervisory Board.

All employees are given regular instruction on the Business Principles and the topics of corruption and bribery as part of mandatory training. The employees also have the opportunity to improve their knowledge regarding anti-corruption by means of voluntary intensive training. This training was extensively revised in the reporting year to respond to the new rules in the updated policy regarding how to deal with gifts and invitations (more on this in the following section).

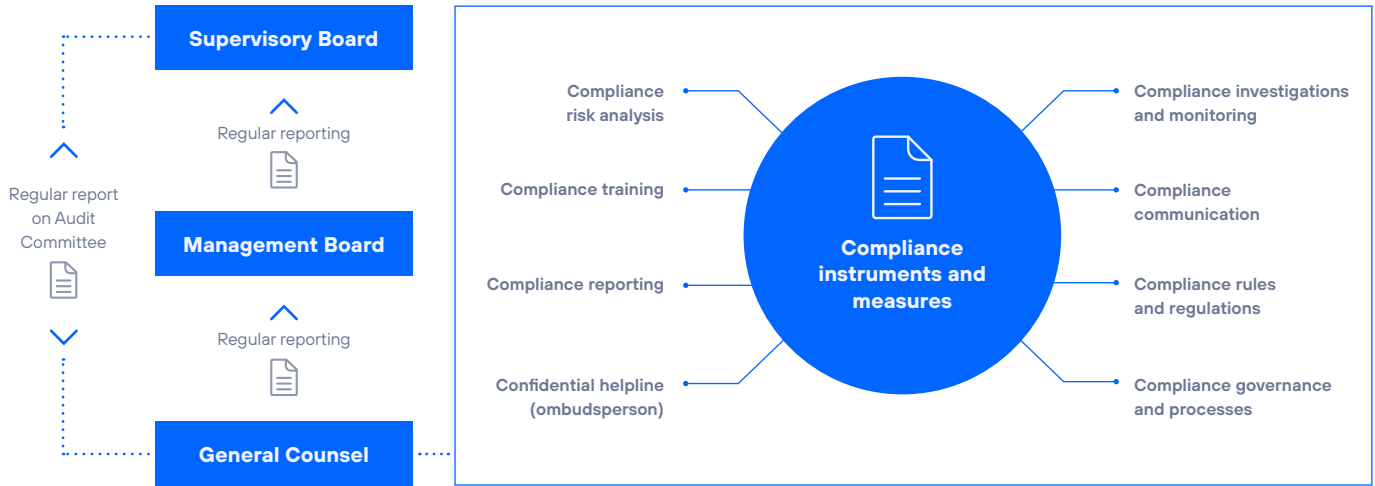
The Telefónica Deutschland Group seeks to preclude unfair practices such as corruption, corporate crime and fraud as best it can with preventive measures and, should it not manage this in isolated cases, to systematically uncover these practices and modify the measures if necessary.

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. Since 2004 it has therefore had an integrated compliance management system (CMS) aimed at guaranteeing its guidelines are followed. 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 & 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. In 2021, BDO AG Wirtschaftsprüfungsgesellschaft certified the anti-corruption subsection of the CMS in accordance with the IDW AsS 980 standard. This confirmed that the Telefónica Deutschland Group's CMS features all the elements relevant to the detection of compliance violations and that these are implemented and regularly checked.

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 the corruption prevention and competition law guidelines, the guidelines on gifts and invitations, and the guidelines regarding conflicts of interest. Regulations relating to the procurement of services also apply, such as the procedural instructions for how to conduct business with service providers, as well as general guidelines such as the Human Rights Policy. The company reviewed and comprehensively modified the guidelines regarding gifts and invitations in late 2022. Among other things, a general cap on the value of donations was set.

G 20: Compliance at the Telefónica Deutschland Group



Consistently providing whistle-blower protection as per the new legal requirements

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 in 2021 that further formalised the process which had been practised for many years. The internal policy was revised in 2022 and 2023 in order to integrate the requirements of Germany’s new Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and of the Whistleblower Protection Act (HinSchG). The whistle-blower policy explicitly stipulates that whistle-blowers may not suffer any negative consequences, thereby implementing the requirements as per the HinSchG regarding protection from reprisals. This is achieved by means of the far-reaching maintenance of confidentiality and the protection of the reporting person’s identity.

For some years now, all employees, external staff, suppliers, shareholders, partners and other stakeholders have had access to a whistle-blower reporting channel (confidential helpline) which is overseen by an external ombudsperson. The ombudsperson receives confidential tip-offs, which can be anonymous if preferred, regarding complaints as per the LkSG, in other words tip-offs concerning human rights and environment-related risks or violations. They also receive tip-offs regarding topics pursuant to Section 2 HinSchG, relating for example to conflicts of interest, corruption and other criminal acts such as fraud and embezzlement as well as violations of competition law – likewise confidentially and, if requested, anonymously. Another reporting point for topics that fall within the remit of the Compliance department is the “Tell us” channel. Tip-offs received here are likewise handled in confidence.

Reporting persons can find the standards according to which a tip-off can be reported to the various reporting points and what sequence follows presented in the rules of procedure. Due to different legal requirements, a distinction is made here between reports in accordance with the LkSG and reports in line with the HinSchG. This enables the Telefónica Deutschland Group to notify reporting persons about and involve them in the procedure, thereby boosting the transparency of and people’s faith in the procedure. Those who process the tip-offs are given training in this.

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. The company obliges its suppliers and sub-suppliers to comply with the Supply Chain Sustainability Policy, has published the Human Rights Policy with guidelines for the employees and is represented within industry associations. New suppliers must consent to the anti-corruption declaration as part of the registration process.

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. Human rights issues are addressed here too. Senior management employees are required to digitally confirm that they have reviewed the Business Principles annually. We had recorded a year-on-year increase in training by the end of 2023. 95.1% (previous year: 84.3%) of all the employees had been given training on the Business Principles in the past three years, equating to a total of 7,068 training hours.¹

Training participation is managed using the Success Factors Training Tool. 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 current level of training is reported to the Audit Committee, a Supervisory Board body, once per quarter. 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.

The intensive training on the topic of corruption and bribery was updated in 2023 in line with the revised guidelines for gifts and invitations. 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. Moreover, the learning content goes into greater detail with the help of practical examples. The employees can now also use a digital tool that takes them through the guideline rules in the form of questions and answers.

In the reporting year, the Telefónica Deutschland Group created the Legal & Corporate Affairs service portal as a tool that brings answers to legal questions and data protection services together in one place. The aim is for this to make processes more efficient and for errors to be prevented. In the portal, employees can, for example, generate non-disclosure agreements, register gifts and donations or report data protection incidents (more on the integrated data protection services in the "[Data protection and information security](#)" section).

Furthermore, there is ad hoc communication on topics relevant to corruption, for example emails and information on the intranet. The employees were also notified on the intranet about, for example, the HinSchG and the possibility of reporting violations. 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. When necessary, the Internal Audit department and external auditors review the CMS as well as the measures for preventing corruption.

Careful investigation of allegations

The Telefónica Deutschland Group conducts regular and, in particular, project-based risk assessments in the areas of corruption and conflicts of interest for Telefónica Germany GmbH & Co. OHG and all the subsidiaries. All suspected cases of unfair practices such as corruption and the giving and taking of bribes that come to its attention are carefully examined. Any substantiated accusations are rigorously pursued and penalties are imposed accordingly. The integrated CMS helps detect cases of corruption throughout the company and prevent them to the fullest extent possible using suitable measures. Here, the company defines cases of corruption as any form of misuse of a professional position to obtain unauthorised tangible or intangible advantages.

¹ Proportion based on number of employees of the Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation includes the completed training units of the last three years. This means the 2023 figure for completed training is 7,068, which covers 1 January 2021 to 31 December 2023.



The Telefónica Deutschland Group received no reports of suspected cases of corrupt conduct in the reporting year 2023. As such, no labour law sanctions were imposed on any employees in this regard. No confirmed violations of the General Act on Equal Treatment (AGG) were reported to the Organizational Development & People department and the Inclusion Officer in the reporting year, and there were no corresponding court cases. 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 financial donations to political parties.

No proceedings against the Telefónica Deutschland Group on the basis of anti-competitive behaviour, cartelisation or monopolisation came to light in the reporting period. Fine proceedings dating back to 2022 were terminated as part of a settlement in the reporting year. Three complaints were made regarding unfair competition violations which involved three objections being made to its advertising conduct. No complaints were lodged regarding environmental impacts. Additionally, no fines or non-monetary sanctions were imposed due to failure to comply with environmental protection laws and regulations. The company does not know how many sets of fine proceedings were under way in the reporting year on the basis of violating the ordinance on the procedure for providing proof as regards limiting exposure to electromagnetic fields. Administrative delays mean it is also currently not possible to estimate the volume and number of potential fines.

T 12: Anti-corruption and conflicts of interest




	Unit	2023	2022	2021
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



Sustainable investments

THE KEY FACTS:

-  In future, the Telefónica Deutschland Group's financing is to be linked even more closely to sustainability aspects.
-  Sustainability confirms strong management of key ESG issues and the Telefónica Deutschland Group receives the "ESG Industry Top Rated" seal for the second time in a row.
-  Two large power purchase agreements for the direct procurement of wind power should protect the company from the risk of rising prices in the electricity market.

BASIC PRINCIPLE AND CHALLENGES

Linking financing with sustainability aspects

As a consequence of its comprehensive sustainability strategy, the Telefónica Deutschland Group wishes to further integrate ESG criteria into its corporate financing. Taking ESG criteria into account when selecting financing instruments helps the company to achieve sustainable success in a number of ways: more and more investors are giving preference to investments that not only generate an economic return, but that also have environmental or social value. Government institutions make the awarding of development loans with favourable interest rates contingent upon certain ESG criteria being fulfilled. Regulation is being tightened too and the European Union is obliging companies to report on how and to what extent their activities are environmentally sustainable – likewise with the aim of slowing down climate change (see the [Telefónica Deutschland – Disclosures according to Art. 8 Taxonomy Regulation](#) section in the Separate Non-Financial Group Report).

The Telefónica Deutschland Group is focusing on having a strong balance sheet with little debt and a comfortable liquidity position to afford the company financial flexibility at times of volatile market conditions too. The company has been garnering experience with financing instruments that are orientated towards sustainability aspects since 2016 (see below). Financing is to be made even more sustainable within the Telefónica Deutschland Group in the future. A framework for this is currently being developed.

The Telefónica Deutschland Group once again reported on its achievements and successes in the area of ESG on an ESG roadshow in the reporting year. CEO Markus Haas and Chair of the Supervisory Board Peter Löscher shared their thoughts on the company's sustainability performance and strategy first and foremost with leading institutional investors.

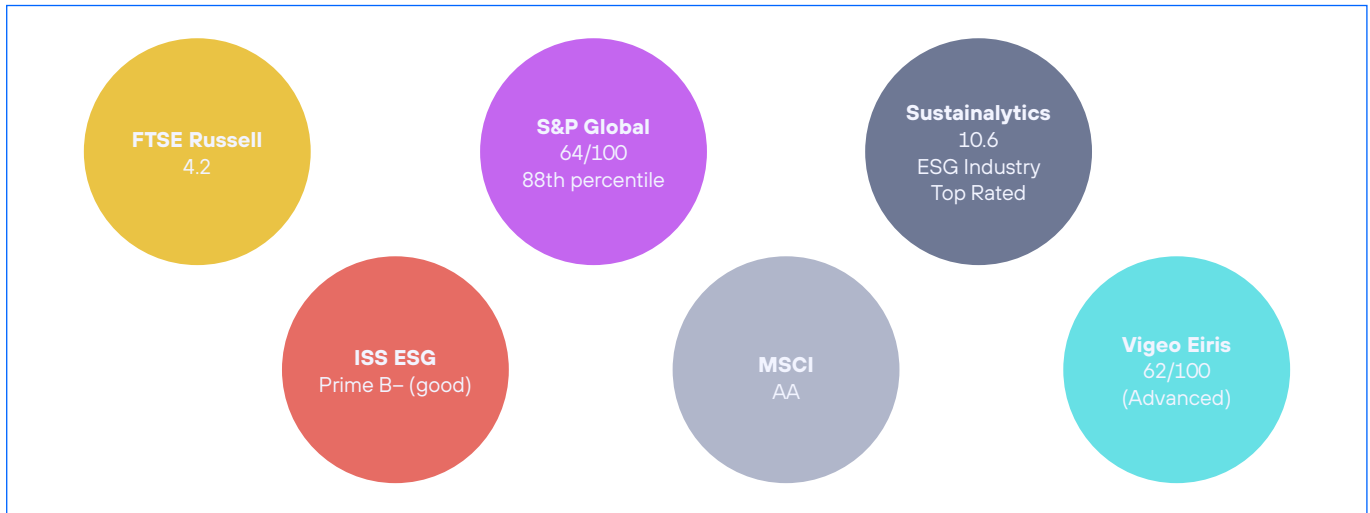
Good to very good ESG rating assessments

To steer its ESG performance, the Telefónica Deutschland Group regularly takes part in relevant ESG ratings and takes the corresponding criteria into account in the optimisation of its sustainability performance and in the related reporting. It sees this as offering huge potential for boosting its responsible conduct and the company's resilience as well as for achieving sustainable corporate financing. Systematic orientation towards ESG criteria is an important prerequisite for access to the capital market. It is therefore all the more important that it makes its contribution to sustainable business practice transparent and that it makes meaningful non-financial information available for investment decisions.

The Telefónica Deutschland Group improved or has remained stable again in key ratings such as Sustainability, Morgan Stanley Capital International (MSCI), ISS ESG and S&P Global in the year under review and achieved good to very good assessments. In the Sustainability rating, the company achieved the best ESG risk score of all the telecommunications companies and was also awarded the ESG Industry Top Rated badge for the second consecutive year. Globally, the Telefónica Deutschland Group was ranked first out of 233 companies in this category, with a score of 10.6.



G 21: Performance in ESG ratings and indices



Note: the graphic contains the most recent assessments by institutions from 2023 or later, but based on information from this year.

The Telefónica Deutschland Group's parent company, the Telefónica, S.A. Group, was included in the Dow Jones Sustainability Index (DJSI) once again in the year under review, while CDP awarded it the top mark of A for the tenth consecutive year for its global leadership in climate protection. Telefónica, S.A. is one of 20 telecommunications providers worldwide to feature on the A List; Telefónica Deutschland Group data is included in the CDP assessment. CDP's annual disclosure and assessment process serves as a guide for 740 investors with assets under management totalling USD 136 trillion.

Positive experiences with financing based on sustainability aspects

In 2019 the Telefónica Deutschland Group was one of the first companies to take out a sustainability-linked loan. With this syndicated loan, the interest margin is tied to the development of a sustainability rating created by Sustainalytics every year, which the Telefónica Deutschland Group was able to improve in all of the ESG categories assessed once again in 2023. The sustainability-linked loan in the amount of EUR 750 million runs until 2026. The company has been garnering positive experience with sustainable financing tied to energy efficiency targets since 2016 – loan agreements totalling EUR 900 million for the construction of energy-efficient mobile communications networks have been concluded with the European Investment Bank since then.

Hedging against rising energy prices

Hedging instruments are another important component of corporate financing in relation to which the Telefónica Deutschland Group incorporates ESG criteria if possible. To protect itself from the risk of future price increases in the electricity market, the Telefónica Deutschland Group concluded a further power purchase agreement (PPA) with an energy supplier in February 2023. This agreement serves to ensure long-term energy security and the supply of renewable energy from an offshore wind farm over the period from 2025 to 2040. Most of the energy requirements for the 2024 financial year have already been economically secured.



Data protection and information security

THE KEY FACTS:



TÜV NORD has attested high information security standards with certification in accordance with ISO 27001.



Since 2023 an internal website has been informing employees about data protection in an easily comprehensible way and with training videos.



Rules regarding the use of AI tools in the company raise the employees' awareness of the risks of external AI applications and demonstrate how these can be used safely.

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. A great deal of data is generated and processed as part of the 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 persons concerned in relation 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. Individual measures go above and beyond the legal requirements, for example concerning certain business processes such as the erasure of traffic data for a number of data processing procedures after just 90 instead of 180 days as well as additional rules in data protection agreements. The Telefónica Deutschland Group pays particular attention to the protection of children and young people (see "[Commitments to children's rights](#)" 🏠). 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 [CDR report on measures](#) 🏠, the Telefónica Deutschland Group focuses on data handling.

The Telefónica Deutschland Group wishes to ensure that the data of customers, interested parties, employees, partners and investors is protected and 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 spawned new data protection and information security challenges. In addition, major company-wide IT projects in which, for example, 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 the threat level generally continues to 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 impacts on business and private customers such as restricting their right to freedom of speech or their privacy. The Telefónica Deutschland Group runs its Cyber Defence Centre to prevent this.

In 2023 the Telefónica Deutschland Group again rigorously implemented the newest laws and regulations regarding data protection and information security. In the reporting year, this included the further development of complementary



agreements and safeguards regarding data processing in non-EU countries as a result of the Schrems II ruling and, for the USA, adaptation of these safeguards to the European Commission's adequacy decision regarding the EU-U.S. Data Privacy Framework. The Telefónica Deutschland Group engaged in intensive dialogue with the competent authorities in 2023 to clarify practical questions regarding application of the existing laws. Regarding future national and European laws such as the Artificial Intelligence Act (AI Act), the Data Act and the Federal Data Protection Act (BDSG) amendment act, the Telefónica Deutschland Group is already actively participating in the legislative procedure to ensure that the practical impacts on the telecommunications sector are likewise considered.

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 guidelines, adopting new ones 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 a guidance document.

The internal guidelines concerning information security (Information Security Policy) and rules for minimum security requirements (Minimum Security Controls) apply throughout the organisation. These are supplemented by a wealth of additional standards, guidelines 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 standard data protection process and various procedural instructions, for example concerning the conducting of data protection assessments and the register of processing activities. 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 data protection governance contains clear guidelines on the protection of personal data, some of which 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 (DPO) and Chief Security Officer (CSO) are responsible for the management and strategic focus of data protection and information security. They both report directly to the Telefónica Deutschland Group's Chief Officer for Legal & Corporate Affairs. The full Management Board is thoroughly briefed on information security and data protection at least once a year. The Supervisory Board's Audit Committee is additionally notified regarding these topics every quarter. The Chair of the Audit Committee reports to the Supervisory Board on the activities of the Audit Committee, while the Chief Officer for Legal & Corporate Affairs reports to the Supervisory Board on special topics.

The Security Committee, which is the Telefónica Deutschland Group's regulation and decision-making body for information security matters and requirements, is made up of members of the Management Board or their representatives. The committee is chaired by the CSO and convenes once a quarter. There are additionally committees within individual departments in which the latest data protection developments are discussed, including the Data Protection Steering Committee in the Digital & Data Competence division, which meets fortnightly. In its regular OC Data Protection Talk, the Omnichannel team teaches the Digital Analytics department about the latest developments and instructions for legally compliant data processing.

Objective: 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
- Further sharpening safety awareness through training, among other things
- Implementing flexible security solutions for changing business models

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 operation of applications in the core and backbone network for the provision of mobile network services, including voice, data and SMS, and for the provision of fixed network services, including telephony, was certified by TÜV NORD in accordance with ISO 27001 in the reporting year. As such, this certified that the company has high information security standards for a subdivision of Telefónica Germany GmbH & Co. OHG.

Business resilience managers for information security and data protection coordinators have 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 uses a business continuity management system in the context of which contingency plans are drawn up for processes identified as critical. The IT outage scenario is covered by the corresponding contingency plans at the process level and updated annually in the context of standardised processes. Crisis management processes are established in order to be able to respond appropriately to relevant internal or external situations.

The Telefónica Deutschland Group also runs its Cyber Defence Centre (CDC) in order to reduce the company's cyber risks. The CDC is a central security centre that protects the Telefónica Deutschland Group's digital assets by analysing key events in its networks and the Internet sphere. This helps to identify attacks against the company and to respond quickly in order to minimise the impact of attacks. 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. These include increasing employee awareness and performing internal assessments.

Handling data protection incidents

The Telefónica Deutschland Group handles all the personal data of customers, interested parties, employees, shareholders, suppliers and other companies absolutely confidentially. If it uses service providers' data or has this used, it applies a standard data protection process to determine whether adequate data protection agreements and regulations have been concluded.

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. A tool was introduced in 2023 to better document the existing data protection agreements. Additionally, company processes are reviewed again and again by the Federal Network Agency (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](#). In relation to the new Whistleblower Protection Act (HinSchG), the Telefónica Deutschland Group brought its whistle-blower policy into line with the act's requirements and further developed the existing whistle-blower channel ([confidential helpline](#)).

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 financial year, no proceedings were initiated due to possible data protection violations and possible infringement of the legal provisions in this area. No penalties in the form of legally binding fines were imposed on the basis of violations of the legal provisions regarding data protection.



37 security breaches or incidents were identified in accordance with Section 168 of the German Telecommunications Act (TKG) and communicated to the responsible supervisory authorities in 2023. 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 information security.

T 13: Data protection and information security

	2023	2022	2021
Proceedings initiated due to data protection violations (Section 169 German Telecommunications Act (TKG)) ¹	0	1	0
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	37	26	16
Penalties in the form of fines paid in relation to security breaches or other network security incidents	0	0	0

¹Proceedings initiated during the reporting period are to be understood as proceedings that are ongoing and have not been concluded. No new proceedings were initiated in the current reporting year. One set of proceedings from the 2019 financial year and one from 2020 were concluded in the 2023 reporting period. We consider two further sets of proceedings initiated in 2020 to be closed, as there was no further communication from the authorities and the conclusion of proceedings is not always actively communicated. 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 the data of its customers 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 marketing 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, in some cases 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. In the reporting year 2023, 87.2% of the employees¹ took part in mandatory annual data protection training; this equates to 6,487 hours of training. The biennial mandatory training on information security was completed by 91.3% of the employees² in the past two years, equating to 5,090 training hours. The Telefónica Deutschland Group intends to further increase this proportion.

Unlike in the pandemic years, the group was once again able to offer a face-to-face workshop by the Data Protection Officer for data protection coordinators from all departments in the year under review. Online training on data protection topics which is tailored to the departments' needs is additionally provided regularly. Several training units were also held for employees and service providers in relation to the internal transformation programme. 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 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 included the data protection checklist, which affords the data protection coordinators and other employees a quick overview of the tasks to be completed within the standard data protection process.

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

¹Proportion based on number of employees of the Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation for data protection only includes the training completed in the reporting year 2023, as this training is mandatory every year.

²Proportion based on number of employees of the Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation for information security includes the training completed in the reporting years 2022 and 2023, as this training is mandatory every two years. For 2023 this means 6,787 completed training units between 1 January 2022 and 31 December 2023.



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.

The OneTrust online platform, which 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. In 2023, for example, documentation of data protection agreements was incorporated into the platform. The employees in the Digital & Data Competence division additionally have access to an intranet page known as the Data Protection Info Hub. Here, department-specific topics are explained and retained for reference purposes.

The Telefónica Deutschland Group published an internal data protection website in the reporting year that explains data protection to the employees in an easily comprehensible way and with training videos. A chatbot which is available company-wide via the collaboration platform Microsoft Teams ensures that many of the employees' questions are answered swiftly. Since the reporting year, data protection services which are frequently needed and answers to legal questions have been available in the new Legal & Corporate Affairs service portal. Here, the employees can, for example, generate data protection agreement templates, create a data protection fact sheet for competitions or seek data protection advice (more on these services in the ["Business conduct"](#) section).

Data collection and processing

The Telefónica Deutschland Group only collects its customers' data which specifically relates to their contractual relationship. For example, the company collects customers' names, addresses and bank details as well as information regarding the products, services and tariffs used by the customers and other data needed for contract processing. Special types of personal data such as details regarding ethnic origin, political opinions or sexual orientation are not collected as standard procedure.

The Telefónica Deutschland Group collects and processes personal data in the context of the strict specifications of Germany's Telecommunications Telemedia Data Protection Act (TTDSG) and of the GDPR. This equally applies to traffic data generated when mobile phones use the mobile communications network for surfing or making calls. This data is used among other things for billing purposes and to remedy disruptions. It is erased at the latest after 90 or, in certain exceptional cases, 180 days. The company neither collects nor uses behaviour-based data that gives insight into people's vulnerabilities or dependencies

or could enable inappropriate manipulation. Customers are provided with transparent information which explains that certain data is analysed for marketing purposes and is used for the placement of advertising. They may object to this data usage.

The employees of the Digital & Data Competence division have a tool called Dive at their disposal which provides a binding framework for the sharing of data for the purpose of further processing. The sharing process was expanded in the reporting year such that all of the department's employees now have to provide certain information, such as the purpose of the data processing, before data may be shared. This is to ensure that data is only made available for valid purposes.

Using well-planned modelling and analysis design, the Telefónica Deutschland Group wishes to ensure that its algorithmic systems do not exclude anyone from its services without a legitimate rational reason. Representative and up-to-date data records in the model generation process are a basic prerequisite for preventing the unjustified exclusion from services. Where relevant, this is ensured through the deployment of exploratory groups. In addition, in relevant cases the Telefónica Deutschland Group is, upon request by the customers, able to transparently present decisions which are influenced by artificial intelligence by applying methods from the field of explainable AI. The employees are sensitised to the topic of discrimination by means of training, for example regarding Germany's General Act on Equal Treatment (AGG). This knowledge should assist them in identifying potential cases of discrimination in the modelling process and addressing them in a targeted manner.

The Telefónica Deutschland Group anonymises and aggregates data for analysis purposes and has partner companies use it to produce anonymous and extrapolated statistics regarding people's movement behaviour. The analysis results offer important insights which are relevant to companies in a variety of sectors as well as local authorities, public transport companies and society as a whole. The Telefónica Deutschland Group developed a three-stage anonymisation process – the Telefónica [Data Anonymization Platform \(DAP\)](#) – for this which strictly observes the data protection requirements. Its aim is to ensure that no inferences can be made about individuals when statistics are generated (examples of the benefits of anonymised movement flows are listed in the ["Consumers and end-users"](#) section).



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. Ongoing training of the data protection coordinators in the departments is likewise aimed at increasing the data protection standards.

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. Among other things, the Telefónica Deutschland Group realised an internal project in 2023 for the authentication of callers to the customer hotline and introduced a new authentication matrix in the process. The customers can only perform certain business processes over the phone if they authenticate them using a personal customer number or PUK. The Federal Commissioner for Data Protection and Freedom of Information (BfDI) highlighted this as positive in a press release.

The Telefónica Deutschland Group continues to transfer 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, the Federal Network Agency (Bundesnetzagentur).

Awareness is also raised among the employees regarding the dangers of online tools and how to use them correctly. In 2023, for example, a fair use policy was introduced concerning the lawful use of M365 in the Telefónica Deutschland Group. With rules regarding the use of AI tools in the company, likewise published in the reporting year, the Telefónica Deutschland Group makes its employees aware of the risks of external AI applications and explains how such applications can be used safely.



Governance aspects: commitment, targets and status in the reporting year

Below, the targets, commitments, performance indicators and ambitions are listed for the area of action focusing on the principles of governance for responsible corporate management from the Responsible Business Plan 2025. Detailed information about this plan, which forms the foundation of the Telefónica Deutschland Group's sustainability strategy, can be found in the "Strategy" section.

Principles of responsible corporate governance

"Applying principles of responsible corporate management"

Topic/KPI	2023 target	End of 2023	2024 target
We want to achieve at least good results in the relevant sustainability ratings.	Good results	Good results	Good results

Governance

"Corporate responsibility will be firmly enshrined in all our divisions. We will manage its implementation and target attainment by means of the Responsible Business Plan 2025."

Topic/KPI	2024 target
Sustainability aspects should be further integrated into existing management systems, compliance with sustainability regulations is to be ensured and opportunities and potential are to be exploited.	Implementation of an extensive ESG transformation programme

Compliance & ethical principles

"We will act in accordance with all applicable laws, societal guidelines and values."

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
Total number of cases of corruption	Confirmed cases of corruption which resulted in labour law measures or sanctions	0	0	0
Business Principles training level	Proportion of employees and directors given training in the Business Principles and human rights (proportion in %, number, hours)	> 90%	95.1% ¹	> 95%

Data protection and information security

"We will work to ensure customers retain sovereignty over their data and remain the masters of their digital lives."

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
Penalties in the form of fines	Penalties in the form of fines as a result of data protection violations in the reporting year	0	0	0
Penalties or fines as a result of security incidents	Penalties or fines as a result of security incidents in the reporting year	0	0	0
High level of employee awareness regarding information security	Percentage of employees who successfully completed online training on information security	> 90%	91.7%	> 90%

¹ Proportion based on number of employees of Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation includes the completed training units of the last three years. For 2023 this means 7,068 completed training units between 1 January 2021 and 31 December 2023.



Human rights and sustainable supply chain management

"We are committed to protecting and respecting human rights, environmental and social standards, in our own business and throughout our value chain."

Topic/KPI	KPI definition	2023 target	End of 2023	2024 target
Percentage of potential high-risk suppliers assessed according to sustainability aspects (ESG criteria)	Proportion of high-risk suppliers that submitted self-assessments on the IntegrityNext platform regarding sustainability aspects, including human rights and working conditions, occupational health and safety, and environmental criteria. Also included are high-risk suppliers who have been invited to the assessment but the review has not yet been finalized.	100%	91%	100%
Percentage of suppliers assessed according to sustainability aspects (ESG criteria)	Proportion of Telefónica Deutschland Group suppliers in the reporting years 2022/2023 registered on the IntegrityNext platform assessed regarding sustainability aspects, including human rights and working conditions, occupational health and safety, and environmental criteria (% in relation to the total number of suppliers invited)		79%	100% (2025)
Percentage of resolved human rights complaints		New KPI since 2024		100%

[Click here for ESG data and indices.](#) ↗



Appendix

ESG data and frameworks

ESG data

[ESG data and indices](#) ¹

The document “ESG data and indices” includes all published ESG metrics as of the financial year 2019 including ESG reporting standards, EU Taxonomy Regulation disclosures, CR targets, contribution to the SDGs and indices (GRI, SASB, TCFD and Bloomberg GEI).

GRI Standards 2021

[ESG data and indices \(see tab GRI content index incl. UNGC principles\)](#) ¹

With its 2023 CR Report, the Telefónica Deutschland Group reports in accordance with the Global Reporting Initiative (GRI) Standards 2021 for the period from 1 January 2023 to 31 December 2023. The GRI Standards serve to create transparency regarding the impacts that companies have on the economy, the environment and people, and about how an organisation contributes or wishes to contribute to sustainable development. The Telefónica Deutschland Group derives the CR focal areas from a continuous CR strategy process that deliberates on stakeholder expectations as well as impacts on society and business relevance. For reporting in accordance with the GRI Standards, the Telefónica Deutschland Group's societal and environmental impacts are particularly relevant.

UN Global Compact (UNGC)

[ESG data and indices \(see tab GRI content index incl. UNGC principles\)](#) ¹

Since 2020 the Telefónica Deutschland Group has been reporting in accordance with the Ten Principles of the United Nations Global Compact (UNGC). Since 2023 the corresponding Communication on Progress has been completed on the UNGC's online platform. In this way, the company is making a commitment to the UNGC's Ten Principles and undertakes to realise these in the interests of governance for responsible corporate management. This focuses on the topics of human rights, labour standards, environmental protection and anti-corruption.

German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG)

“Workers along the value chain”, “Own workforce” and “Implementation of human rights due diligence obligations” sections and on the [website](#) ¹

The objective of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) is to strengthen the rights of the people affected and vulnerable groups throughout the supply chain. The Telefónica Deutschland Group reports on its human rights due diligence obligations in its Separate Non-Financial Group Report and in this CR Report.

EU Taxonomy

www.telefonica.de/nfe ¹

The Taxonomy Regulation ((EU) 2020/852) attaches particular importance to a resource-efficient and circular economy and seeks to have a steering effect on investments and capital market activities. The Telefónica Deutschland Group also uses the CR Report to report on the sustainability of its business model. More information can be found in the Separate Non-Financial Group Report.

¹ The document “ESG data and indices” is part of this CR Report, unless otherwise indicated.



Task Force on Climate-related Financial Disclosures (TCFD)

[“Climate change”](#) section and [ESG data and indices \(see tab TCFD index\)](#) ¹

The Telefónica Deutschland Group is conscious of the fact that climate change also presents its business model with various opportunities and challenges which the company must rise to. The Telefónica Deutschland Group gives an account of the financial impacts of climate change on the company in the CR Report and in the Task Force on Climate-related Financial Disclosures (TCFD) index in line with the recommendations of the TCFD. The recommendations of the TCFD are divided into the four areas of governance, strategy, risk management, and metrics and targets, which the company reports on.

Sustainability Accounting Standards Board (SASB)

[ESG data and indices \(see tab SASB index\)](#) ¹

The Telefónica Deutschland Group follows the framework of the Sustainability Accounting Standards Board (SASB) for the disclosure of financially material sustainability information and reports on the relevant environmental, social and governance topics.

Bloomberg Gender-Equality Index (GEI)

[ESG data and indices \(see tab Bloomberg GEI\)](#) ¹

The Bloomberg Gender-Equality Index (GEI) serves as a benchmark for companies wishing to have their progress in the area of gender equality and the impacts of implementing measures to promote diversity on the company's performance assessed.

Sustainable Development Goals (SDGs)

Under “Reporting” on the [website](#) ¹

With the implementation of the Responsible Business Plan 2025 the Telefónica Deutschland Group is actively supporting the attainment of the United Nations' Sustainable Development Goals (SDGs). The Telefónica Deutschland Group endeavours to make a contribution to achieving the SDGs and to society's sustainable transformation with its activities that fall under the three areas of action and the corresponding topics.

CDR Initiative

[CDR Initiative](#) ¹

The CDR Initiative has set itself the goal of digital responsibility becoming a normal part of day-to-day business for companies in all sectors and of developing concrete solutions for sustainable digitalisation. In addition, it aims to increase awareness of the topic amongst the public and in the corporate world. As a member of the initiative, the Telefónica Deutschland Group has made a commitment to the guiding principles and objectives of the CDR Code and includes these in its reporting.

¹ The document “ESG data and indices” is part of this CR Report, unless otherwise indicated.



Memberships

The Telefónica Deutschland Group selects its memberships on the basis of its strategic priorities. The aim is for the Telefónica Deutschland Group's memberships to support its business activities and serve as the parameters within which added value can be generated for society. It is also especially important to

the Telefónica Deutschland Group that it promotes dialogue on economic and societal issues within the industry. The Telefónica Deutschland Group continues to participate in initiatives that strengthen responsible business. Below is a selection of the memberships and cooperations.

Membership/cooperation	Description
#SheTransformsIT	Initiative for greater representation of women in digitalisation and better career opportunities for girls and women
2hearts community	2hearts is a business community for the technology sector. It serves qualified talented individuals with a migrant background, who often live in disadvantaged circumstances, as a platform for exchange.
AfB gGmbH (Work for People with Disabilities)	Non-profit company which refurbishes the old IT hardware of major enterprises and public institutions (including the deletion of any data) and puts it back into the market; at least 50% of the workforce is made up of people with a disability
AKDU – Arbeitskreis der Deutschen Unternehmenssicherheit (Working Group for German Corporate Safety and Security)	Advocacy organisation in the areas of business, industry, logistics, financial services and critical infrastructures, to name but a few, for the area of work of the organisational unit responsible for the key function of corporate safety/security and the related processes
AmCham Germany – American Chamber of Commerce in Germany	Corporate network for global business development and for German-American partnership
B.A.U.M. e. V. – Bundesdeutscher Arbeitskreis für umweltbewusstes Management (German Association of Environmental Management)	Corporate network for sustainable business in Germany
Bitkom – Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.	Association of companies from the IT, telecommunications and new media industries; includes working groups looking at the issues of data protection, media policy and occupational safety
Cybermobbing-Hilfe e. V. (Cyberbullying Support)	Association which supports victims of cyberbullying and promotes prevention work in society
Deutsches Kinderhilfswerk e. V. (German Children's Fund)	Association for strengthening children's rights and eradicating child poverty
DICO – Deutsches Institut für Compliance e. V. (German Institute for Compliance)	Institute which develops compliance standards and plays a role in shaping good corporate governance
DIRK – Deutscher Investor Relations Verband e. V. (German Investor Relations Association)	Europe's largest professional association for promoting dialogue between companies and capital markets
eco – Verband der Internetwirtschaft e. V. (Association of the Internet Industry)	Association for companies from the IT and telecommunications industries with a focus on future Internet topics
econsense – Forum for Sustainable Development of German Business e. V.	Sustainability network of German business with the goal of actively shaping the transformation to a more sustainable economy and society with companies
Europäische Bewegung Deutschland e. V. (European Movement Germany)	Network for European policy in Germany
FSM – Freiwillige Selbstkontrolle Multimedia-Diensteanbieter e. V. (German Association for Voluntary Self-Regulation of Digital Media Service Providers)	Alliance that combats online media content which is illegal, harmful to young people or jeopardises their development, provides a platform for complaints and promotes the media skills of children and young people
Förderkreis Zentrum für Telekommunikations- und Medienwirtschaft e. V. (Society for the Promotion of the Telecommunications and Media Industry)	Non-profit association for the exchange of knowledge and experience regarding telecommunications, information technology, media, entertainment and electronic security
GDD – Gesellschaft für Datenschutz und Datensicherheit e. V. (German Association for Data Protection and Data Security)	Association for data protection and data protection officers
GSM Association	Global industry association representing the interests of GSM mobile operators
Information Security Forum	Independent non-profit organisation for networking on the topics of cybersecurity, information security and risk management; active participation in its capacity as a member of Telefónica, S.A.
Initiative Chef:innensache (Chef:innensache initiative)	Network of leaders from business, science, the public sector and the media, for promoting equal opportunity for women and men



Initiative D21 e. V.	Germany's largest non-profit network for the digital society; commitment to the challenges of digital transformation and initiation of debate regarding how to wisely shape the future of the digital society
International Telecommunication Union (ITU)	United Nations specialised agency that officially and globally focuses on the technical aspects of telecommunications
Klicksafe	Initiative that in Germany promotes the safe use of the Internet and new media on behalf of the European Commission
Klimapakt Münchner Wirtschaft (Munich Business Climate Pact)	Pact of major enterprises based in Munich which have committed to voluntarily reducing their carbon emissions
MINT Zukunft e. V. (STEM Future)	Initiative to promote schools' STEM profile in general and their IT and digitalisation profile in particular through the programmes "MINT-freundliche Schule" (STEM-friendly school) and "Digitale Schule" (Digital school) as well as increase the proportion of women in STEM study courses
Mission Female (network for successful women)	Network in which successful women can engage with one another on an equal footing and strengthen their personal and professional development
MÜNCHNER KREIS (MUNICH CIRCLE) – Übernationale Vereinigung für Kommunikationsforschung e. V.	Non-profit association focusing on matters relating to technology, society, the economy and regulation in the area of information and telecommunications technologies
NABU – Naturschutzbund Deutschland e. V. (Nature And Biodiversity Conservation Union)	Commitment to people and nature with numerous projects for the protection of species, the environment and nature in Germany
Stiftung Digitale Chancen (Digital Opportunities Foundation)	Foundation that assists people in using the Internet in order to counteract the exclusion of disadvantaged sections of the population from the development of the information society
UN Global Compact and Global Compact Network Germany	The world's largest initiative for governance for responsible corporate management and the pursuit of the vision of an inclusive and sustainable global economy for the benefit of all people, communities and markets
VATM – Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e. V.	Interest group comprising some 100 telecommunications and multimedia companies which are in competition with the former monopolist Deutsche Telekom
VDE – Verband der Elektrotechnik Elektronik Informationstechnik e. V. (Association for Electrical, Electronic & Information Technologies)	Organisation that brings together science, standardisation, testing, certification and application consulting under a single umbrella and advocates the promotion of research and the next generation of those working in the field; supporting member of Special Committee Lightning Protection and Lightning Research (ABB)
Wirtschaftsforum der SPD e. V. (SPD Economic Forum)	Independent professional business association for the promotion and expansion of sustainable, innovative and economic progress; the topics covered in its specialist forums include energy and climate, mobility and infrastructure, and resources and sustainability
Wirtschaftsrat der CDU e. V. (Economic Council)	German business association; network and centre of excellence to help shape economic and social policies through dialogue on topics such as the Internet and the digital economy; environmental, climate and energy policy; transport and the labour market
Zentrale zur Bekämpfung unlauteren Wettbewerbs e. V. (Centre for Protection against Unfair Competition)	Self-regulation institution active Germany-wide for the enforcement of the law against unfair competition



Independent practitioner's report

Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information¹

To Telefónica Deutschland Holding AG, Munich

We have performed a limited assurance engagement on the disclosures in the Corporate Responsibility Report of Telefónica Deutschland Holding AG, Munich (hereinafter "the Company") for the period from 1 January to 31 December 2023 (hereinafter the "Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Report in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the "GRI-Criteria").

This responsibility of Company's executive directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Report that is free from material misstatement whether due to fraud or error.

Audit Firm's Independence and Quality Management

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 Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis – IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures in the Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Report with the exception of the document "ESG Data and Indices", which is denoted as part of the Report.

We conducted our assurance engagement in accordance with the 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 allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the disclosures in the Company's Report for the period from 1 January to 31 December 2023 has not been prepared, in all material aspects, in accordance with the GRI-Criteria.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Assessment of the process for conducting the materiality analysis in accordance with the GRI criteria
- Inquiries of personnel involved in the preparation of the Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Report
- Identification of the likely risks of material misstatement of the Report under consideration of the GRI-Criteria
- Analytical evaluation of selected disclosures in the Report
- Comparison of selected disclosures with corresponding data in the Financial statements and the Combined management report

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the Corporate Responsibility Report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.



- Evaluation of the presentation of the Report
- Use of the work of a practitioner's verification of energy consumption and greenhouse gas emission indicators according to ISO 14064.
- Evaluation of CO₂ compensation certificates exclusively with regard to their existence, but not with regard to their impact

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures in the Company's Report for the period from 1 January to 31 December 2023 have not been prepared, in all material aspects, in accordance with the GRI-Criteria.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement. The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward the Company. We do not assume any responsibility towards third parties.

Munich, 26 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Holger Lutz
Wirtschaftsprüfer
(German Public Auditor)

sgd. Annette Maria Fink



AENOR

Verification Statement of AENOR for Telefónica Germany on the Inventory of greenhouse gas emissions corresponding to the year 2023

DOSSIER: 2009/1133/GHG/01

Introduction

Telefónica (hereinafter the company) has commissioned AENOR Confía, S.A.U. (AENOR) to make a limited revision of the inventory of Greenhouse Gases (GHG) for the verification period of its activities included in the Greenhouse Gas Inventory Report 2023, which is part of this Declaration.

AENOR is accredited by Entidad Mexicana de Acreditación, with number OVVEI 004/14, in accordance with Standard ISO 14065:2020, for the verification of greenhouse gas emissions in accordance with the requirements established in Standard ISO 14064-3:2019 for the energy and waste sectors.

Inventory of GHG emissions issued by the Organisation:

- Corporate: C/ Ronda de la Comunicación, Distrito Telefónica, Madrid (Spain).
- Germany: Georg-Brauchle-Ring 50, 80992 München (Germany).

Representatives of the Organisation: Maya Ormazábal Herrero/Camilo Andrés Guarín García, Climate Change and Energy Efficiency Office, and Jürgen Franke, Energy Manager NT Network Implementation/Real Estate & Energy of Telefónica Deutschland.

Telefónica was responsible for reporting its GHG emissions according to the GHG PROTOCOL standard.

Objective

The objective of the verification is to provide the interested parties with an independent and professional opinion on the information and data contained in Telefónica's GHG Inventory.

Scope of the Verification

The greenhouse gases and emission sources considered as well as the geographical scope of the activities included in the organisation's greenhouse gas inventory are described below.



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The organisation's GHG emissions inventory includes the following GHGs CO₂, CH₄, N₂O, HFCs and HCFCs.

For the verification process, a control approach is considered, under which Telefónica accounts for emissions attributable to the operations and facilities over which it exercises operational control.

Facilities are defined as base stations, technical buildings, vehicle fleets, office buildings, call centres and shops. Under this approach, the scope of the geographical verification is established for the following countries where the Telefónica Group operates:

Organizational and geographic boundaries
Europe
Alemania (mobile network)

Direct, indirect activities and exclusions from verification.

The activities subject to verification are set out in 3 scopes (following the GHG Protocol guidelines), which are:

- Scope 1- Direct GHG emissions
- Scope 2 – Energy indirect GHG emissions
- Scope 3- Other indirect emissions. It is included:
 - o Purchase of goods and services
 - o Capital goods
 - o Activities related to the consumption of energy and fuel (not included in scopes 1 and 2)
 - o Business travel
 - o Use of sold products

General Exclusions:

There are no exclusions.



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Base year

Telefónica has selected 2015 as the base year for Scope 1 and 2 and 2016 for Scope 3.

Materiality

For the verification it was agreed to consider as material discrepancies those omissions, distortions or errors that could be quantified and result in a difference of more than 5% with respect to the total of emissions declared.

Criteria

In general, the verification of the Greenhouse Gas Inventory Report has been performed taking into account the requirements set out in:

- a) ISO 14064-3:2019: Specification with guidance for the validation and verification of greenhouse gas assertions.
- b) GHG Protocol, Corporate Accounting and Reporting Standard (Revised Edition).
- c) GHG Protocol, Corporate Value Chain (scope 3) Accounting and Reporting Standard.

Finally, the emissions report drawn up by the organisation, dated 2023, was subject to verification.

AENOR waives any responsibility for decisions, regarding investment or of any other type, based on this declaration.



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Conclusion

As a conclusion according to the limited level of assurance agreed, AENOR states:

Based on the above, and in accordance with the limited level of assurance, there is no evidence to suggest that the information on GHG emissions reported in the Greenhouse Gas Inventory Report for the period 2023 is not a true and fair representation of the emissions from its activities.

In consequence with this Declaration below is a list of the emissions data that were finally verified.

Year: 2023	Unit	TOTAL
Scope 1: Direct GHG emissions	tCO2e	5.955,4
• Operations	tCO2e	681,2
• Fleet	tCO2e	4.811,7
• Refrigerant gases and fire extinguishing gases	tCO2e	462,5
Scope 2: Indirect GHG emissions (market-based)	tCO2e	234,3
• District heating	tCO2e	234,3
• Electricity (market-based)	tCO2e	-
Scope 2: Indirect GHG emissions (location-based)	tCO2e	337.458,6
• District heating	tCO2e	234,3
• Electricity (location-based)	tCO2e	337.224,3
Scope 3: Other indirect GHG emissions (total)	tCO2e	391.939,8
• Purchased goods and services	tCO2e	194.264,9
• Capital goods	tCO2e	57.825,5
• Activities related to energy and fuel consumption (not included in Scope 1 and 2)	tCO2e	1.426,3
• Business travel	tCO2e	2.913,3
• Use of sold products	tCO2e	135.509,8
Scope 1 + 2_{market-based} emissions	tCO2e	6.189,7
Total GHG emissions Scope 1 + 2_{market-based} +3	tCO2e	398.129,4
Total GHG emissions Scope 1 + 2_{location-based} +3	tCO2e	735.353,7
Emissions offsets	tCO2e	3.714,0
Directed actions	tCO2e	13.353,3

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Year: 2023	Unit	TOTAL
Total energy consumption	MWh	802.605,7
• - Total electricity consumption + Self-generation of renewable energy	MWh	777.126,1
o Consumption at base stations	MWh	659.312,7
o Consumption in Central Stations (Fixed Switch Sites)	MWh	25.409,2
o Consumption in Mobile Telephone Switching Offices (MTSOS)	MWh	45.576,5
o Consumption in Data Centers	MWh	29.958,4
o Consumption in Others (Offices, Call Centers, Shops, Landing Stations, Pops and Waves)	MWh	16.549,0
o Self-generation of renewable energy	MWh	111,6
o Consumption in electric vehicles	MWh	208,6
• - Fuel consumption + District heating	MWh	25.479,6
o Operations fuel consumption	MWh	3.604,4
o Fleet fuel consumption	MWh	18.486,0
o District heating consumption	MWh	3.389,3
Electricity consumption from renewable sources including self-generation	MWh	777.126,1
% of renewable electricity consumption in own facilities	%	100
Directed actions	MWh	30.767,9

Directed actions:

Energy Efficiency Plan 2023: In order to optimise the energy consumption of Telefónica Germany's communications network, various actions have been implemented, including the following:

- Power Saving Features

Derived from the implementation of the Energy Efficiency Plan 2023, a saving of **13.353,28 tCO₂e** has been achieved (equivalent to a saving of **30.767,93 MWh** in electricity consumption).

In Madrid, 8th of February 2024



Rafael García Meiro
Consejero Delegado / CEO



Imprint

Publisher

Telefónica Deutschland Holding AG
Georg-Brauchle-Ring 50
80992 Munich
Tel.: +49 89 2442 0
www.telefonica.de

Corporate Responsibility & Sustainability

Contact: cr-de@telefonica.com
www.telefonica.de/sustainability

Investor Relations

Contact, institutional investors:
ir-deutschland@telefonica.com
Contact, private shareholders:
shareholder-deutschland@telefonica.com
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Social media

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Responsible for the contents

Claudia von Bothmer

Project management

Melanie Borsos, Lisa Schwarzmaier

Concept, editing, design and implementation

Telefónica Deutschland Holding AG,
Corporate Responsibility & Sustainability, Munich
Scholz & Friends Reputation, Berlin
heureka, Essen

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