



Telefónica Deutschland ESG Investor Roadshow

March 2021



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Agenda

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

#2 Corporate Governance

#3 Environment & Social

#4 Summary

ESG an integral part of Telefónica Deutschland's DNA

Enabling sustainable growth

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



Mobile accesses
~44m

Owned customer base
~ 80%



Network quality
Awarded 'Very Good'



Carbon neutral by 2025

Resilient business model
FY20 Operational trends intact



Revenues
(7,532m€)
+1.8% YoY
+2.8 %²

MSR
(5,307m€)
+0.1% YoY
+1.3 %²

OIBDA¹
(2,319m€)
+0.2% YoY
+2.7 %²

Capex/Sales
14.5%



Market Cap³
EUR 6,724m



BBB Fitch Rating
Listed in MDAX | TecDAX



Employees³
~7,800



Strong trading momentum
> 1m post-paid net adds⁴



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



Improved customer perception
> 20p.p. NPS score improved over last 3 years

ESG at the heart of our strategy throughout the pandemic

HELPING SOCIETY TO THRIVE



Supporting customers & communities

Highly resilient network performance

Anonymous mobile data for government to fight C-19

#WeStayConnected

95% employee satisfaction rate for TEF D's pandemic management

BUILDING A GREENER FUTURE



Lower carbon economy & digital innovation

-39% GHG emissions (Scope I+II)*

96% Renewable energy use

-71% Energy per unit of traffic (GWh/Petabyte)*

-78% Carbon intensity (tCO2/Petabyte)*

LEADING BY EXAMPLE



Running an inclusive, fair & ethical business

Women in senior leadership positions
28% in 2020 (incl. in Bloomberg GEI)

+ 3p.p. increase in Society Trust**

Highly ranked in leading ESG ratings

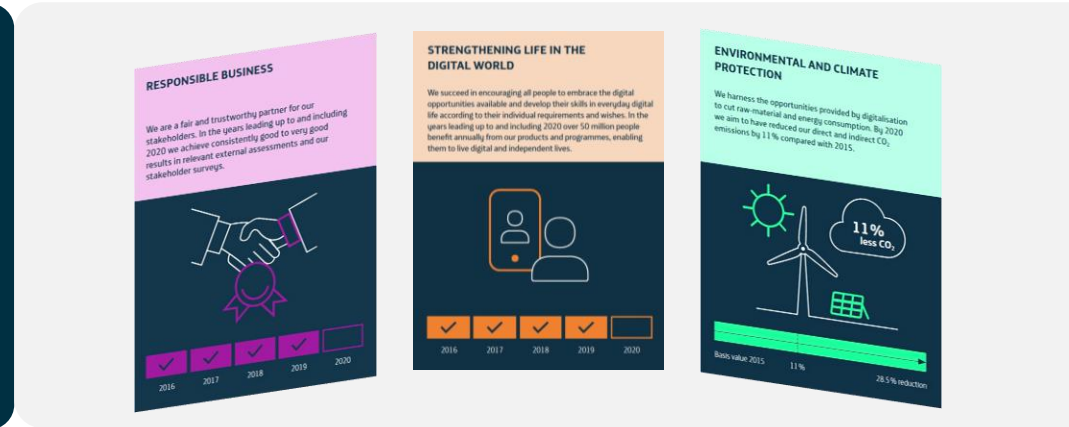
Member DAX 50 ESG

Long-standing and successful ESG track record

Responsible Business Plan primary steering tool since 2016

ESG strategy fully integrated in overall business strategy

- ✓ RBP goal: Creation of sustainable value and minimisation of risks
- ✓ RBP 2020: Achieved key targets
- ✓ RBP 2025: Ambitious future targets incl. climate protection strategy



2004

2021

2004

ISO 14001 certification



2005

CR-Report



2012

Launch corporate accelerator *Wayra*



2012

Launch Eco Index



2015

ISO 50001 certification



2019

Sustainability linked loan

2020

ESG DAX50

2020

Climate protection strategy 2025

2016 - 2020
RBP



2021 - 2025
RBP



Telefónica's Responsible Business Plan 2025

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

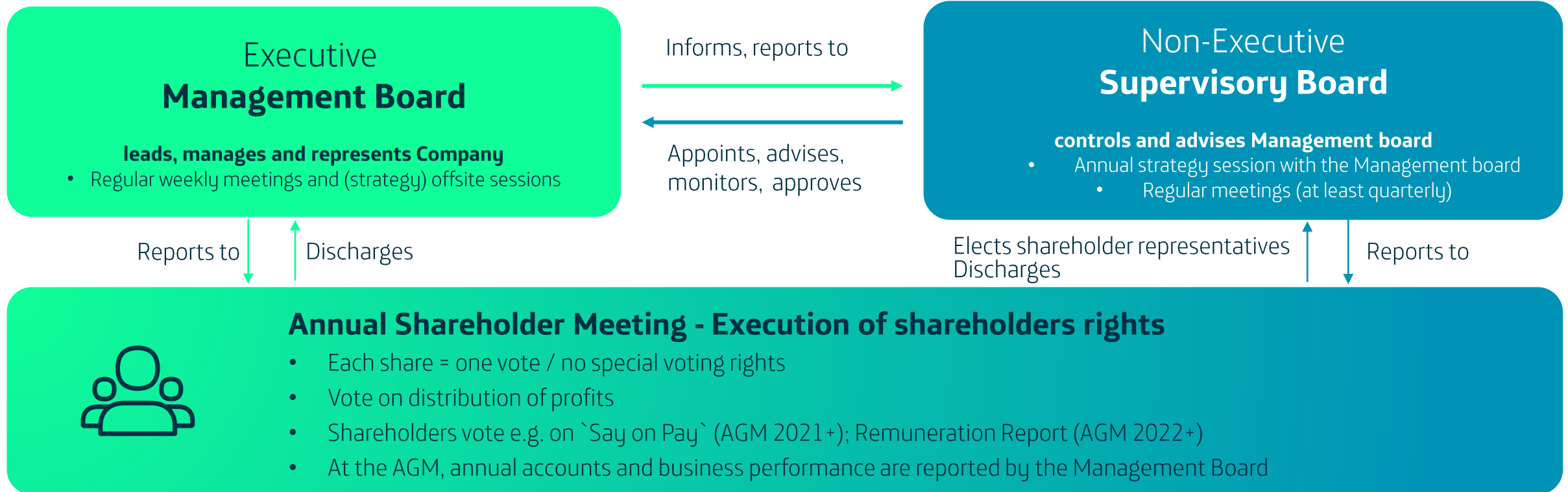
| Focus Area | Environment & Climate | | Customers & Business Partners | | | Employees | | Society | |
|------------|---|----------------------------|--|------------------------------|-----------------------|---|--------------------------------|---|----------------|
| Commitment | TEF D will offer customers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

| Foundation | Governance principles | | | | |
|------------|--|-----------------------|---------------------------------|--|-------------------------|
| Commitment | TEF D's business as a digital company will be founded on principles of responsible corporate governance that are rigorously and systematically applied to all business processes | | | | |
| KPI | TEF D wants to achieve at least a 'good' ranking in relevant ESG ratings | | | | |
| Topic | Governance | Transparency & Dialog | Compliance & Ethical Principles | Data Protection & Information Security | Supply Chain Management |

Telefónica Deutschland Holding AG - robust corporate governance structure

Corporate Governance

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



Management Board - highly experienced & diverse

Key Responsibilities

- Management of the business
- Representation of the Company

Extensive Industry Experience
> 145 years of telco experience



Wolfgang Metze (CCO)

Markus Haas (CEO)

Nicole Gerhardt (CHRO)

Markus Rolle (CFO)

Valentina Daiber (COLCA)

Alfons Lösing (CPWO)

Mallik Rao (CTIO)



Top in gender diversity
Women in board since IPO 2012

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

Supervisory Board – well balanced & diverse shareholder side

37.5% 
Independent

3
New appointments
in 2020


Gender diversity


Balanced tenure

International



Independent leadership



Peter Löscher

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

Independent members



Michael Hoffmann

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



Stefanie Oeschger

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

Key expertise & skills

- Economic / Financials
- Auditing / Risk
- Engineering / Innovation / Digital
- Marketing / Sales
- Legal / Governance / Ethics
- Transformation / Organisational Change
- Leadership

All Supervisory Board Committees chaired by independent members

Audit Committee

Key committee in charge of monitoring the accounting process, the efficiency of the internal control systems, the risk management system and the internal audit system and for review of the annual accounts as well as compliance, including data protection and information security

- Michael Hoffmann (Chair), financial expert
- Martin Butz
- Ernesto Gardelliano, financial expert
- Thomas Pfeil

Remuneration Committee

Key committee in charge of preparation of all Board compensation topics and respective recommendations for the Supervisory Board in this regard

- Michael Hoffmann (Chair)
- María Garcia-Legaz Ponce
- Claudia Weber
- Jan-Erik Walter

Mediation Committee

The legally required committee recommends Management Board candidates to the Supervisory Board provided that no sufficient agreement to available candidates could be achieved

- Peter Löscher (Chair)
- Christoph Braun
- Julio Linares Lopéz
- Christoph Heil

Nomination Committee

Committee recommends to the Supervisory Board suitable candidates for the shareholder side for the election proposal to the annual general meeting

- Peter Löscher (Chair)
- Pablo de Carvajal González
- Ernesto Gardelliano

Related Party Transactions Committee

New

The committee monitors and passes resolutions on certain transactions with related parties, especially on related party transactions pursuant to sec. 111 a, b Stock Corporation Act

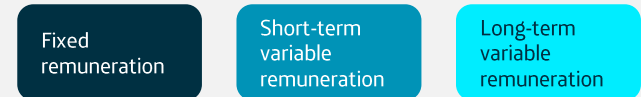
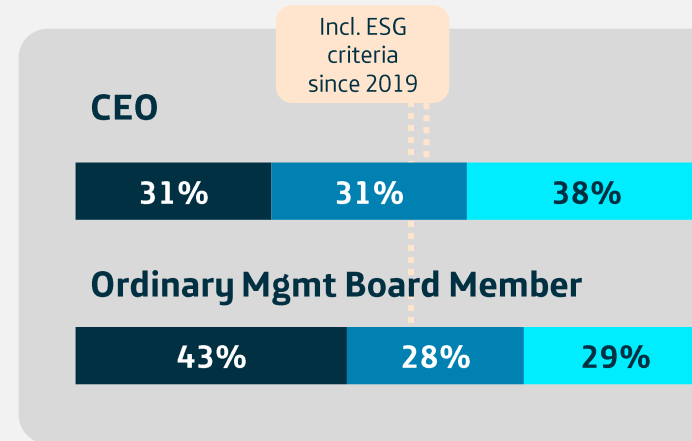
- Peter Löscher (Chair)
- Christoph Braun
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- Michael Hoffmann
- Thomas Pfeil

'Say on Pay'- balanced composition of Management Board remuneration

| | Components | Purpose | Description | Potential KPIs |
|-----------|---|---|--|--|
| Annual | Fixed remuneration Cash | <ul style="list-style-type: none"> Creates sufficient economic independence to balance the significance of other remuneration items | <ul style="list-style-type: none"> Base salary paid out in twelve equal monthly amounts | |
| | Short-term variable remuneration Cash | <ul style="list-style-type: none"> Rewards achievement of pre-determined, quantifiable, economic-financial, operational and qualitative targets aligned with the company's interests and the strategic plan | <ul style="list-style-type: none"> One-year cash bonus Performance criteria: <ul style="list-style-type: none"> At least 70% selected KPIs of Telefónica Deutschland At most 30% business performance of Telefónica, S.A. Cap: 150% of the target amount | <ul style="list-style-type: none"> Financial KPIs: <ul style="list-style-type: none"> Revenues: Measure growth OIBDA: Reflects growth and progress in operating performance Operating Cash Flow (OIBDA minus CapEx): Reflects the generation of cash from our business operations Free Cash Flow: Generation allows growth investments, dividend payments, and reduction of debt load Return on Capital Employed (EBIT/Capital Employed): Measures the efficiency and profitability of our investments Relative TSR: Measures the creation of shareholder value in comparison to competitors |
| Long Term | Long-term variable remuneration Cash/Equity | <ul style="list-style-type: none"> Align incentives with the company's interests and the strategic plan Link remuneration to the creation of shareholder value and sustainable achievement of strategic targets | <ul style="list-style-type: none"> Performance Share Plans for Telefónica Deutschland and for Telefónica, S.A. Three-year performance period Selected KPIs Target achievement: 0% up to a maximum value (cap) | <ul style="list-style-type: none"> Non-financial KPIs (ESG criteria) <ul style="list-style-type: none"> Relate to customer satisfaction and to social & ecological factors (e.g. NPS, RepTrak Pulse, reduction of emissions, diversity) |

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

Compensation Mix



→ 69% (CEO) and 57% (ordinary Mgmt. Board member) of remuneration is at risk and tied to performance

Focus on zero carbon emissions & principles of circular economy

Environment

Material topics

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

Mission

TEF D will offer the customers the 'greenest' network



Goal

Net zero carbon emissions by 2025 focusing especially on energy efficiency



Our Progress

Energy intensity reduced by 71% (compared to 2015)



Strategic Approach

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

Strategic Objectives 2025

- Climate neutral by 2025: Focus on energy efficiency, self generation & purchase of renewables
- Aligning more and more aspects of our business, especially our products, with principles of the circular economy

Ambitious corporate climate strategy – carbon neutral by 2025



Renewable Energy

100% green electricity



5G Energy-efficiency

5G is using 90% less energy per byte compared to 4G



Data Centres

Improved power efficiency



Smart Meters

Optimized energy consumption with help of digital meters



Workplace

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

Ambitious environmental targets

1.5°C aligned climate target

according to Science-Based-Target initiative for scope 1-3

Carbon neutral by 2025

including our scope-1&2 and travel emissions

Reduction of unavoidable emissions by >90% by 2030

emitted from our network, facilities and vehicle fleet,
relative to 2019



Social dimension - shaping a responsible digitalisation for society

Social

Material topics

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

Mission

TEF D strives for a human centric digitalisation



Goal

Stabilisation of NPS, eNPS & RepTrak



Our Progress

All strategic goals well achieved



Strategic Approach

- Shaping responsible digitalisation for people – our employees, our customers and society
Especially in this pandemic situation this approach has gained even more importance

Strategic Objectives 2025

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

Effective COVID-19 response supporting all stakeholders

Customers

- Reliable networks
- O₂ churn at historic low levels
- Additional entertainment & mobile data provided at no extra cost

Shareholders

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

Employees

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

Society

- TEF D supports Robert Koch Institute with mobility analyses in fight against Covid-19
- Provided our technologically advanced buildings for public use (e.g. O₂ Tower)
- Digital Care Package for Senior Citizens
- Laptops, Internet-access and trainings in cooperation with Amazon, 'Deutsches Kinderhilfswerk' for underprivileged children

Management is continuously monitoring & analysing the impact on the company from Covid-19 restrictions & developments
Regular updates on our COVID-19 response are published on TEF D's webpage

Driving innovations - preparing Telefónica Deutschland & society for the future

Spotlight

5 BOLD MOVES

Working **ANYWHERE**



Working **ANYTIME**



Outcome-based **LEADERSHIP**



DIGITAL by Default



70% Less **TRAVEL**



Spotlight



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

Track Record

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

Approach

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

Pillars

Accelerator Programme | Investment | Community

+22

Contracts won between start-ups and Telefónica in 2020

+30

Active Portfolio start-ups in 2020

+100

Start-ups part of Wayra ecosystem

Pioneering sustainable finance solutions to increase ESG visibility since 2016



EUR 750m ESG-Linked Syndicated Loan

2019 first German Telco with ESG-Linked Loan facility



EUR 450m Loan granted by European Investment Bank (EIB)

2019/2020 for energy efficient 4G/5G rollout



EUR 450m Loan granted by EIB

2016 linked to CO₂ reduction via Mobile Network Consolidation (TEF/E+)



Structured Rating Process with Sustainalytics

2019 structured rating process improving quality vs. unsolicited rating



Pioneering of blockchain-based promissory notes

2018 first telco globally introducing blockchain based financing with external investors

Further Sustainable Financing Instruments under consideration to access additional funding sources

- ESG-Linked Bond
- ESG-Linked Schuldschein
- ESG-Linked Factoring
- Green Leasing

Top Sustainability Ratings from various financial institutions/rating agencies



Well ranked in most important sustainability ratings & indices



Risk Low: **16.4 (Low)** | Exposure Score: **38.2 (Medium)** | Management Score: **63.2 (Strong)**



Rating: **AA**



Grade: **Prime B- (Good)**



Successfully listed (**4.3 of 5 pts**)



Successfully listed



Successfully listed (**65%**)



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Member DAX 50 ESG

Any further questions?

Please reach out to us!



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