

Telefónica Group's Diversity and Inclusion Policy – 2nd edition – May 2021

Telefónica, S.A.

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This document was approved by the Board of Directors at its meeting held on 12 May 2021.

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1. INTRODUCTION

At Telefónica, we incorporate diversity management as a key element of our global strategy; we do so because we are convinced that encouraging diversity in our teams and promoting an inclusive leadership style, as well as responding to principles of social justice, offers major advantages for the business. It allows us to attract and retain the best talent, encourage innovation and bring us closer to a diverse and changing society.

Diversity and inclusion are therefore cross-cutting elements of our talent management processes in all the markets in which we operate, and we wish to reaffirm our commitment to this through a global policy which will be applicable to all the companies which form part of the group.

Through this Policy, which emanates from our Responsible Business Principles, we express our firm commitment to equal opportunities and non-discriminatory treatment of people in all areas of our Company. Additionally, we take a categorical stance against any conduct or practice related to prejudice motivated by, among others, nationality, ethnic origin, skin colour, marital status, family responsibility, religion, age, disability, social status, political opinion, serological and health status, gender, sex, sexual orientation, gender identity and expression.

As we are aware that each of the countries in which we operate has a distinct social context and different needs, we implement this Diversity and Inclusion Policy through specific plans and actions in each of our operations.

1.1 Key Concepts

- **Diversity:** a concept referring to the variety of characteristics, ways of thinking, skills, capabilities and experiences of each employee, which form the basis of their work and their growth within the Company. In short, diversity takes into account what a person, as a unique and incomparable human being, can offer in each of their teams.
- **Inclusion:** a concept related to the effective integration and active participation of all employees, which considers the uniqueness of the characteristics, ways of thinking, skills, capabilities and experiences of each individual as an opportunity to make better decisions and create value for the business.

1.2 Scope of Application

This policy has a global scope and its implementation is mandatory in all Telefónica Group companies. To that end, the Telefónica Group is understood as all companies in whose capital Telefónica S.A. holds, directly or indirectly, the majority of shares, interests, or voting rights, or whose corporate management body has been appointed or has the power to appoint the majority of its members, in such a way that it effectively controls the company.

In its capacity as parent company of the Group, Telefónica, S.A. is responsible for establishing the basic rules, instruments, and mechanisms necessary for an appropriate and efficient coordination in matters of security among all the other companies in the Group; all of the aforementioned without prejudice to the autonomous decisions that may correspond to the said companies, in accordance with both the corporate interests of company as well as the fiduciary duties that are incumbent upon them.

2. Responsibility

This Policy applies to all Telefónica employees throughout their career in the Company, from the moment in which they are recruited until their employment relationship comes to an end. The Policy covers all aspects of employment, including recruitment, remuneration, working conditions, actions related to their quality of life, training, evaluation, promotion, disciplinary procedures and the termination of the contract. It stipulates both the rights and responsibilities that employees must accept.

The companies' leaders have a particular responsibility to ensure effective inclusion of all employees by responding to any conduct they become aware of which may violate this Policy.

3. Social Dialogue

Telefónica is committed to the basic ILO (International Labour Organization) regulations on employment, mainly referring to freedom of association and the right to collective bargaining in all the countries in which we operate. We guarantee that the workers' representatives are treated fairly, free from discrimination and that they have all the facilities made available to be able to perform their duties.

Telefónica has a collective bargaining model. Any changes in matters of labour relations are always inspired by consultation and agreement with workers' representatives (trade unions and/or company committees) as authorised in the various operations in accordance with the local requirements of each country. Thus, for the elaboration of the different equality plans, we promote local collective bargaining and/or value the workers' representatives' contributions can provide for this purpose.

4. Commitments

In compliance with our Responsible Business Principles, our Diversity and Inclusion Policy subscribes to Telefónica's commitment to comply with the applicable laws in the countries in which we operate, as well as with international standards on the subject of Human Rights.

Through this Policy, our Company aims to ensure that it is managed in such a way that it is free from any prejudices associated with difference. Telefónica therefore takes a firm

stance against any discriminatory conduct or practice, and it is committed to continuing to make progress in the effective integration of all types of people into the workplace, regardless of their, nationality, ethnic origin, skin colour, marital status, family responsibility, religion, age, disability, social condition, political opinion or serological and health status, gender, sex, sexual orientation, gender identity and expression.

As a sign of our commitment and with the aim of promoting this integration, we incorporate the global diversity objectives into the variable remuneration scheme for the Company's executives.

This global commitment is supported by specific actions in our operations. For the aforementioned reasons, we promote the following actions throughout our organisation:

4.1 Access to employment, professional classification and career development

At Telefónica, we implement policies and develop practices in recruitment, contracting, promotion, training, professional classification and for other working conditions which are based solely on merit and ability criteria related to the requirements of the job.

In addition, we promote a working environment based on respect, which values differences and offers equal opportunities. Specifically, in the field of gender, the Transparency Committee, formed by the Chairman and four senior directors, ensures that both genders are represented in the shortlist of candidates for internal selection processes.

This is complemented by various global actions and programmes which help to attract, train and develop diverse talent in the Company, increasing the visibility and promoting the careers of professionals who face specific obstacles. These programmes are complemented in our operations with actions and programmes adapted to the reality of each locality.

4.2 Remuneration Policy

Our remuneration policies are based on the criteria of merit and ability related to the requirements of the job. For this reason, and in order to ensure a balance between global strategy and local practices, we have developed a Global Remuneration Policy which aligns practices throughout the Group. Similarly, we have an Appointments and Remuneration and Good Governance Committee within the Board of Directors for the group of executives.

As part of our Responsible Business Principles, we are committed to reducing and eliminating the gender pay gap. To do so, we publish and monitor the evolution of the gender pay gap by country, distinguishing between gross and adjusted pay gaps. In addition, we report on the average remunerations disaggregating them by gender, level and age.

4.3 Raising Awareness and Training

In order to foster an equal and inclusive working environment in which all employees feel free to express themselves for who they are, we develop training courses for all Group employees from a global perspective.

Specifically, and considering that training and raising awareness are vital to becoming a more diverse and inclusive company; we develop training sessions in a variety of formats (e.g., workshops, conferences or courses) in our operations focusing on breaking down any unconscious biases for the entire workforce and especially for the people who manage teams and those involved in selection processes. Similarly, the creation of groups aligned with each diversity front is encouraged, allowing for the creation of spaces for conversation and empowerment, breaking down stereotypes and working on the basis of education.

4.4 Work/life Balance

We provide employees with flexible options for working, which focus on improving their personal and family life. To this end, we promote new organisational models that have an impact on the way we work and allow us to manage talent, while also improving productivity and commitment of our employees. To this end, Telefónica explicitly recognises the right to digital disconnection of all its employees on a global scale.

The global commitment is supported by specific plans and actions in our operations, adapting new models to organise work times to the specific needs of each country.

4.5 Inclusive, non-sexist and non-discriminatory language and communication

We promote the use of inclusive language, free from discriminatory references to people based on, among others, their nationality, ethnic origin, skin colour, marital status, family responsibility, religion, age, disability, social status, political opinion, serological and health status, gender, sex, sexual orientation, gender identity and expression.

In our communications, we do not use any sexist, prejudicial or discriminatory references to any group in the images, documents, advertising and commercial materials (both internal and external).

4.6 A harassment and discrimination-free working environment

Telefónica is categorical in its stance against any discriminatory conduct and practices. Thus, priority is given to fulfilling the objective of promoting working conditions that prevent workplace and sexual harassment motivated by, among others, gender, sex, sexual orientation, gender identity and expression, as well as any discriminatory conduct due to nationality, ethnic origin, skin colour, marital status, family responsibility, religion, age, disability, social condition, political opinion, serological and health status, both in a physical and digital working environment, and specific procedures are established to

ensure this is prevented. In addition, we are committed to ensuring that our employees, as well as any stakeholders with whom we interact, do so in an environment that is free from derogatory or hostile comments, gestures or any other discriminatory behaviour.

4.7 Eliminating Obstacles

As part of our commitment to make technology available to society, without leaving anyone behind, we want to ensure that people with disabilities can access the benefits of the digital transformation, building a more accessible world. We are therefore committed to incorporating accessibility criteria into our products and services, while improving the accessibility of all our processes and facilities, including our shops, experience centres, customer service and information channels.

At the same time, we are committed to continuing to make progress in the effective integration of people with disabilities into the workplace, introducing technical aids and supports to reduce and eliminate obstacles to ensure that they can participate in an environment with equal working conditions. In addition, in the case of employees with a recognised disability, Telefónica assumes the cost of making personalised adaptations to the workstation, in the event that they are necessary for the employee's well-being and so they can carry out their work effectively, provided that these costs are not covered through government subsidies.

4.8 Other Stakeholders

We extend our principles of non-discrimination to our entire value chain through the Sustainability Policy in the Supply Chain; this establishes the supplier's obligation to not discriminate against any group in its recruitment, training and promotion policies.

Similarly, these principles are applicable to all people working for Telefónica, including contractors, consultants, advisers, temporary workers and those providing any other services.

In addition, being aware of our responsibility in the markets in which we operate as a large multinational company, we actively participate in different spaces and working groups with international organisations and support a variety of actions that encourage integration, equality and well-being of all the people in the labour market.

5. SUPPORTING BODIES AND ROLES

This Policy is supported by the Global Diversity Council, consisting of senior executives, whose aim is to promote and monitor the Company's diversity strategy, guaranteeing multiculturalism, a variety of genders, profiles and experiences among our professionals.

In addition, we have a Chief Diversity Officer, who is responsible for coordinating the Group's diversity and inclusion strategy. In addition, we have Diversity Champions, who

act as internal agents of change in all departments of the company. At the same time, there are diversity managers who communicate this strategy in the operations in which we are present.

6. DIVERSITY ON THE BOARD OF DIRECTORS

Telefónica, S.A. has a Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors, approved by its Board of Directors. and the Selection of Directors, approved by its Board of Directors, which guarantees that proposals for the appointment or re-election of Directors are based on a prior analysis of the skills required by the Company's Board of Directors, and encourage diversity of knowledge, training and professional experience, of age, disability and gender, without implicit biases that could imply any discrimination, in particular on the grounds of gender, disability or any other personal condition, and which facilitate the selection of a number of female directors that enable a balanced presence of women and men.

In particular, the Board of Directors of the Company shall promote the objective of the presence of female directors, as well as measures to encourage the Company to have a significant number of senior managers, taking into account the recommendations of good governance, without prejudice to the essential criteria of merit and ability that must govern all the Company's personnel selection processes.

7. QUERIES AND COMMUNICATIONS

All employees are expected to adhere to that set forth in this Policy in the carrying out of their duties. The breach of any of the aspects set forth herein could lead to disciplinary proceedings which could result in corrective action.

In this regard, Telefónica has a Whistleblowing Channel through which employees, executives, directors and other stakeholders of the Telefónica Group can report any information which they become aware of, by any means, formally or otherwise, regarding the existence of a possible irregularity, an act contrary to the law or internal regulations. In addition, there is a Responsible Business Channel through which employees or any other stakeholders have the opportunity to make any type of queries associated with the Responsible Business Principles.

8. ENTRY INTO FORCE

This policy will be implemented once it has been approved by the Board of Directors of Telefónica S.A.



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