

Telefónica Deutschland

ESG Investor Presentation



March 2023

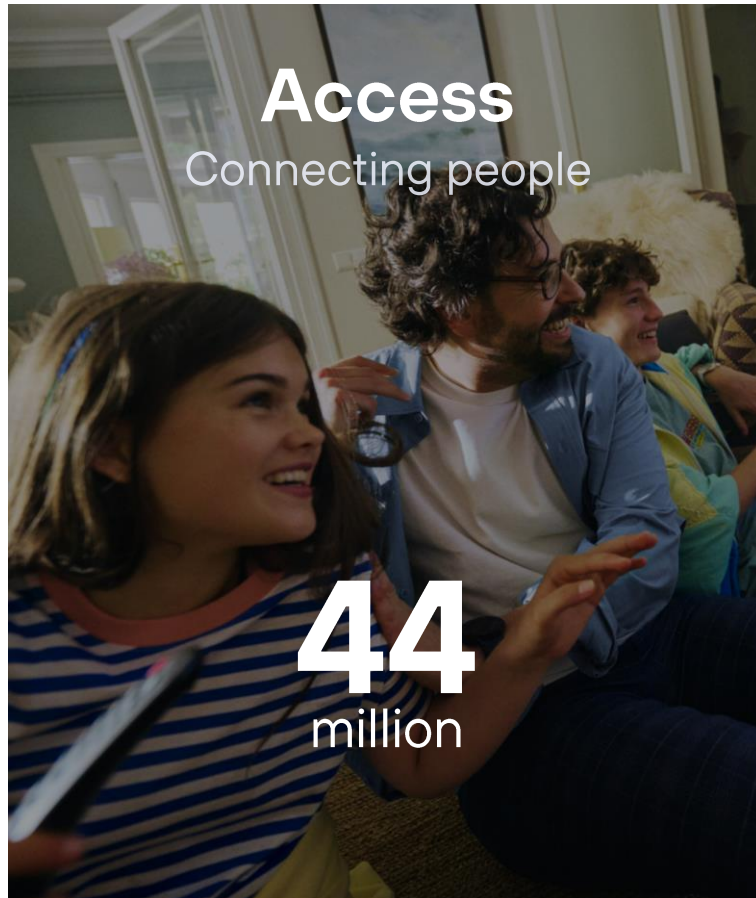
Disclaimer



This document contains statements that constitute forward-looking statements and expectations about Telefónica Deutschland Holding AG (in the following “the Company” or “Telefónica Deutschland”) that reflect the current views and assumptions of Telefónica Deutschland's management with respect to future events, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations which may refer, among others, to the intent, belief or current prospects of the customer base, estimates regarding, among others, future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company. Forward-looking statements are based on current plans, estimates and projections. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions. Such forward-looking statements, by their nature, are not guarantees of future performance and are subject to risks and uncertainties, most of which are difficult to predict and generally beyond Telefónica Deutschland's control, and other important factors that could cause actual developments or results to materially differ from those expressed in or implied by the Company's forward-looking statements. These risks and uncertainties include those discussed or identified in fuller disclosure documents filed by Telefónica Deutschland with the relevant Securities Markets Regulators, and in particular, with the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). The Company offers no assurance that its expectations or targets will be achieved. Analysts and investors, and any other person or entity that may need to take decisions, or prepare or release opinions about the shares / securities issued by the Company, are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date of this document. Past performance cannot be relied upon as a guide to future performance. Except as required by applicable law, Telefónica Deutschland undertakes no obligation to revise these forward-looking statements to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telefónica Deutschland's business or strategy or to reflect the occurrence of unanticipated events. The financial information and opinions contained in this document are unaudited and are subject to change without notice. This document contains summarised information or information that has not been audited. In this sense, this information is subject to, and must be read in conjunction with, all other publicly available information, including if it is necessary, any fuller disclosure document published by Telefónica Deutschland. None of the Company, its subsidiaries or affiliates or by any of its officers, directors, employees, advisors, representatives or agents shall be liable whatsoever for any loss however arising, directly or indirectly, from any use of this document its content or otherwise arising in connection with this document. This document or any of the information contained herein do not constitute, form part of or shall be construed as an offer or invitation to purchase, subscribe, sale or exchange, nor a request for an offer of purchase, subscription, sale or exchange of shares / securities of the Company, or any advice or recommendation with respect to such shares / securities. This document or a part of it shall not form the basis of or relied upon in connection with any contract or commitment whatsoever. These written materials are especially not an offer of securities for sale or a solicitation of an offer to purchase securities in the United States, Canada, Australia, South Africa and Japan. Securities may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended, or an exemption there from. No money, securities or other consideration from any person inside the United States is being solicited and, if sent in response to the information contained in these written materials, will not be accepted.

Telefónica Deutschland - shaping a sustainable digital future

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



Strong ESG delivery meeting highest standards

Environment

'BUILDING A GREENER FUTURE'

Lower carbon economy & digital innovation

Efficiency

- / Ambitious target of 87% less energy consumption per data volume by 2025¹
- / 2022: reduction of -81%¹

100% Renewable Energy

- / Well on track to achieve net zero carbon emission target by 2025
- / Signing of long-term PPAs: Direct sourcing of green energy from German wind-offshore parks

Circular Economy

- / Sustainable products & services
- / Reduce – repair – recycle: up ~70%²



Social

'HELPING SOCIETY TO THRIVE'

Supporting customers & communities

Society

- / Humanitarian support for Ukraine.
- / Earthquake aid for Turkey and Syria
- / Initiatives for digital inclusion
- / Volunteering Day
- / O₂ Telefónica Run

Customers & Employees

- / Expanding 5G at record speed
- / Continuous improvement of high NPS & rep. score
- / Improved strong employee NPS

Sustainable Supply Chain Management

- / Implemented in accordance with
- / Supply Chain Due Dilligence Act



Governance

'LEADING BY EXAMPLE'

Running an inclusive, fair & ethical business

Robust Governance Structure

- / Highly experienced & diverse
- / Supervisory Board & Management Board

Increased independence & diversity

- / Audit- and Nomination committees - further / increased independence & diversity

Enhanced ESG expertise & accountability

- / Conducted ESG trainings & added certified expertise

Ensured Management Board continuity

- / Extended Management Board Service Agreements
- / Appointed CCO replacement



Extending ESG leadership - ensuring ESG compliance with high impact ESG transformation programme 2023

Target picture of ESG transformation programme 2023

Regulatory, Internal Control & Risk	<ul style="list-style-type: none"> • Further improve ESG control and risk management system 				
ESG Evolution Strategy	<ul style="list-style-type: none"> • Refine ESG implications for the corporate strategy and commercial strategies 				
ESG Evolution Operating Model	<ul style="list-style-type: none"> • Align ESG governance with regulatory and strategic challenges 				
Corporate Sustainability Reporting Directive	EU Taxonomy	German Supply Chain Due Diligence Act (LkSG)	Scope 3 emissions	Circular Economy	Product-related environmental law
Holistic evolution of strategy and non-financial reporting, ensuring audit readiness	Compliant EU taxonomy reporting and audit readiness	Finalize LkSG implementation & adaption of upcoming EU regulation	Further elaborate the path of decarb scenarios of Scope 3 emissions until 2040	Further implementation of circular economy concept	Advance product compliance management system

EU Taxonomy FAQs exclude networks resulting in limited eligibility – additional figures show full positive impact of our activities

EU Taxonomy Reporting

Limited consideration of networks

Turnover

Eligibility/ Alignment: 0.4%/ 0.2%

Capex

Eligibility/ Alignment: 3.5%/ 0.0%

Opex

Eligibility/ Alignment: 0.03%/ 0.0%



Additional figures*

4G/5G & fixed network considered

Turnover

49%

Capex

72%

Opex

57%

Ambitious corporate climate strategy – targeting carbon neutrality Scope 1 & 2 by 2025, net zero CO₂ Scope 1, 2 & 3 by 2040

Corporate Climate Strategy



Renewable Energy – long-term PPAs
100% green electricity



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



Launched Energy-Savings-Programme
3year programme to keep energy consumption broadly flat with a target run-rate of around 20% gross savings by 2026



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

Ambitious environmental targets



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



Net Zero CO₂ by 2040 (scope 1, 2 & 3)
Targeting carbon neutrality for Scope 1 & 2 by 2025



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

Robust German corporate governance structure

Corporate Governance

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

Executive Management Board

leads, manages and represents Company

- Regular weekly meetings and (strategy) offsite sessions

Informs, reports to



Appoints, advises, monitors, approves



Non-Executive Supervisory Board

controls and advises Management board

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

Reports to



Discharges



Elects shareholder representatives
Discharges



Reports to



Annual Shareholder Meeting - Execution of shareholders rights

- Each share = one vote / no special voting rights
- Vote on distribution of profits
- Shareholders vote e.g. on `Say on Pay; Remuneration Report (AGM 2022+)
- At the AGM, annual accounts and business performance are reported by the Management Board

Supervisory Board – well balanced & diverse

2/3 independent shareholder side
Audit Committee;
50% independent
Nomination Committee

Re-election of SvB
members at 2022 AGM

Enhanced ESG expertise:
ESG strategy
regular trainings/
certified expertise


Balanced tenure


Diverse

Key expertise & skills

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

Auditing / Risk /
Expertise in accounting standards /
Transformation / Organisational Change

Economic / Financials /
Leadership /
Marketing / Sales

Independent leadership



Peter Löscher

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



Michael Hoffmann

- Chairman of Audit & Remuneration Committees
- Former CEO of Lekkerland
- Independent financial expert / audit expertise in ESG reports
- Expertise in sustainability reporting & sustainability in Management Board incentives

Independent members – 50% of shareholder side



Stefanie Oeschger

- Interim Manager of Cembra Bank
- International expert in transformation & organizational change
- Financial expertise & Cybersecurity
- Expertise in sustainability and sustainable financing



Jaime Smith Basterra

- Experienced CEO and CFO, audit & accounting expertise
- Deep knowledge of German & global telecoms market
- Innovation Expert

All Supervisory Board Committees chaired by independent members

Increase of independence in Audit and Nomination Committee

Audit Committee	<p>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. The audit committee also reviews sustainability reporting topics.</p>	<ul style="list-style-type: none"> • Michael Hoffmann (Chair, independent) • Martin Butz (employee) • Ernesto Gardelliano, financial expert • Thomas Pfeil, financial expert (employee) • Stefanie Oeschger (independent) • Dr. Jan-Erik Walter (employee) <p>enhanced</p> <p>2/3 of s/h side independent</p>
Remuneration Committee	<p>Key committee in charge of preparation of all Board compensation topics including ESG KPIs and respective recommendations for the Supervisory Board in this regard</p>	<ul style="list-style-type: none"> • Michael Hoffmann (Chair, independent) • María García-Legaz Ponce • Claudia Weber • Dr. Jan-Erik Walter <p>50% of s/h side independent</p>
Mediation Committee	<p>The legally required committee recommends Management Board candidates to the Supervisory Board provided that no sufficient agreement to available candidates could be achieved</p>	<ul style="list-style-type: none"> • Peter Löscher (Chair, independent) • Christoph Braun • Julio Linares Lopéz • Christoph Heil <p>50% of s/h side independent</p>
Nomination Committee	<p>Committee recommends to the Supervisory Board suitable candidates for the shareholder side for the election proposal to the annual general meeting</p>	<ul style="list-style-type: none"> • Peter Löscher (Chair, independent) • Pablo de Carvajal González • Ernesto Gardelliano • Jaime Smith Basterra (independent) <p>enhanced</p> <p>50% of s/h side independent</p>
Related Party Transactions Committee	<p>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</p>	<ul style="list-style-type: none"> • Peter Löscher (Chair, independent) • Christoph Braun • Pablo de Carvajal González • Michael Hoffmann • Thomas Pfeil <p>80% independent of major s/h</p>

Management Board – highly experienced & diverse team



Valentina Daiber
Chief Officer Legal & Corporate Affairs
ESG Expert



Markus Haas
Chief Executive Officer
Acting Chief Consumer Office (SEP23)



Mallik Rao
Chief Technology &
Information Officer



Markus Rolle
Chief Financial Officer



Andreas Laukenmann
Chief Consumer Officer
(Starting SEP23)



Nicole Gerhardt
Chief Human
Resources Officer



Alfons Lösing
Chief Partner &
Wholesale Officer

Extensive Industry Experience

- >150 years of telco experience

Key Responsibilities

- Management of the business
- Representation of the Company

Top in gender diversity / equality

- Gender diversity at board level since IPO
- Bloomberg Gender Equality Index 2023 – included 4th year running



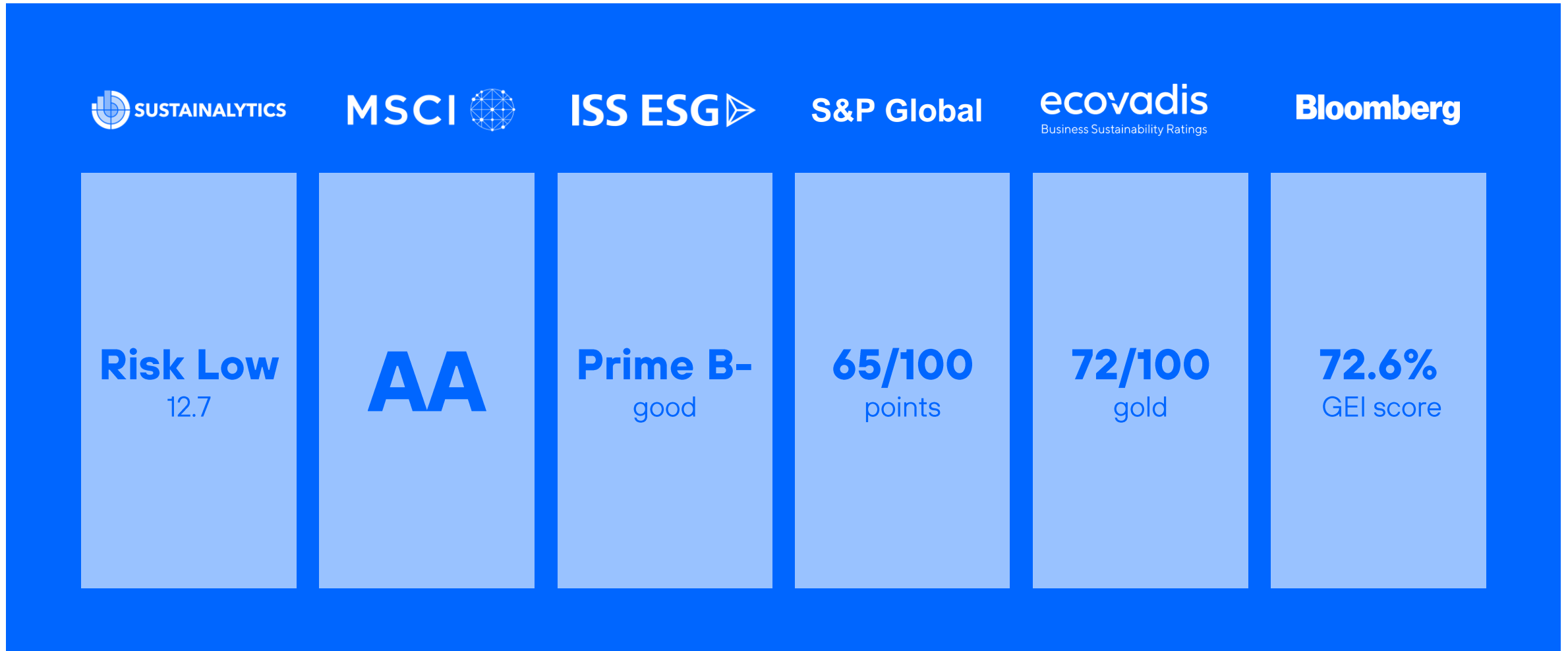
Management Board remuneration system: Balanced composition

	Components	Description	KPIs and weights applied in 2022	Compensation mix						
Annual	Fixed remuneration Cash	<ul style="list-style-type: none"> Base salary paid out in twelve equal monthly amounts 		<p>69% (CEO) and 57% (ordinary. Mgmt. Board member) of remuneration is at risk and tied to performance</p> <p>CEO</p> <table border="1"> <tr> <td>31%</td> <td>31%</td> <td>38%</td> </tr> </table> <p>Ordinary Mgmt. Board Member</p> <table border="1"> <tr> <td>43%</td> <td>28%</td> <td>29%</td> </tr> </table> <p>Fixed remuneration Short-term variable remuneration Long-term variable remuneration</p> <p>Incl. ESG criteria since 2019 Incl. ESG criteria since 2021</p>	31%	31%	38%	43%	28%	29%
	31%	31%	38%							
43%	28%	29%								
Short-term variable remuneration Cash	<ul style="list-style-type: none"> One-year cash bonus Performance criteria: <ul style="list-style-type: none"> At least 70% selected KPIs of TEF DE At most 30% business performance of TEF SA Cap: 150% of target amount 	<ul style="list-style-type: none"> 70% KPIs related to TEF DE <ul style="list-style-type: none"> 80% financial KPIs (30% Revenues, 30% OIBDA, 20% FCF) 20 % ESG KPIs (5% NPS, 5% Reduction of CO₂ emissions, 4% NPS Gap, 3% RepTrak Pulse, 3% Proportion of women in management positions) 30% business performance of TEF SA 								
Long Term	Long-term variable remuneration Equity-based	<ul style="list-style-type: none"> Performance Share Plans for TEF DE and for TEF SA Three-year performance period Selected KPIs Target achievement: 0% up to a maximum value (cap) 	<ul style="list-style-type: none"> 50% Relative TSR 40% FCF 10% Neutralized CO₂ emissions 							

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

Well ranked & continuous improvement in relevant ESG ratings/indices

Sustainalytics: Top3-ranked in global telcos & top-ranked telco in Germany



Q&A



Peter Löscher

Chairman Supervisory Board



Markus Haas

CEO

We look forward to your feedback



Christian Kern

Director Investor Relations

+49 179 9000 208

christian.kern@telefonica.com



Marion Polzer, CIRO

Head of Investor Relations

+49 176 7290 1221

marion.polzer@telefonica.com



Eugen Albrecht, CIRO

Senior Investor Relations Officer

+49 176 3147 5260

eugen.albrecht@telefonica.com

Appendix

Strong FY22 results on back of commercial success

Continued growth path leveraging O₂ brand momentum

Investment for Growth

Successful 3-year programme

>33%

MSR market share¹

+3.8m

Postpaid net adds

>80%

5G population coverage

Network
hattrick



3x
consecutive
improvement

Outperformed mid-term guidance (2020-2022)

>10%

2x targeted
cumulated revenue growth

>1.5pp

Improved mobile gross margin

15.3%

Achieved lower than planned C/S

Outperformed FY22 outlook

+5.9%

Revenues

+5.3%

OIBDA
adj. for except. effects

14.7%

Capex/ Sales

ESG at the heart of TEF D's strategy with ~20 years of sustainable management

Responsible Business Plan 2025: Digital. Sustainable. Connected.

ESG strategy fully integrated in overall business strategy








- ✓ RBP goal: Creation of sustainable value and minimisation of risks
- ✓ RBP 2020: Achieved key targets
- ✓ RBP 2025: Ambitious future targets incl. climate protection strategy; in 2022 all key targets achieved

Responsible Business Plan 2025



2004

2023

<p>2004</p> <p>ISO 14001 certification</p> 	<p>2005</p> <p>CR-Report</p> 	<p>2011</p> <p>Launch Eco Index</p> 	<p>2012</p> <p>Launch corporate accelerator Wayra</p> 	<p>2015</p> <p>ISO 50001 certification</p> 	<p>2019</p> <p>Sustainability linked loan</p>	<p>2020</p> <p>Climate protection strategy 2025</p>	<p>2022</p> <p>Top rating results in key ESG ratings DAX 50 ESG+</p>	<p>2023</p> <p>ESG Evolution Program California</p>
					<p>2016 - 2020</p> <p>RBP</p> 	<p>2021 - 2025</p> <p>RBP</p> 		

Responsible Business Plan 2025

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

Focus Area	Environment & Climate		Customers & Society		Employees	
Commitment	TEF D offers customers green network		TEF D offers high quality products and services, and, thanks to a modern network, we ensure digital access for all.		TEF D advances digital working world as an attractive employer.	
KPI	Neutralisation of Scope 1 and 2 emissions by 2025		Increase or stabilize customer satisfaction (TEF NPS) at top level Increase / stabilize reputation (RepTrak)		Increase or stabilise employer attractiveness (eNPS)	
Topic	Circular economy	Energy and CO ₂	Product, service experience & digital skills	Network quality & coverage	Future Employability	Designing the work environment
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	Compliance & Ethical Principles	Data Protection & Information Security	Supply Chain Management		

ESG management as foundation of responsible business



Sustainable finance at the heart of the ESG strategy with long-standing commitment



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:

- ESG-Linked Bond
- ESG-Linked Schuldschein
- ESG-Linked Factoring
- Climate Neutral Leasing

Top Sustainability Ratings from various financial institutions/rating agencies

SUSTAINALYTICS
a Moody's company

ESG
INDUSTRY
TOP RATED



ISS ESG

vigeo
eiris

MSCI

FTSE
Russell

Bloomberg
Gender-Equality
Index

Driving innovations - preparing Telefónica Deutschland & society for the future



Wayra Germany awarded as best innovation hub in Germany by Capital magazine 2021
Part of TEF S.A. Open Innovation Hub



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

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

Pillars Accelerator Programme | 5G Tech Lab (March21) | Investment | Community

+30

Contracts won between start-ups & Telefónica in 2021

+35

Active Portfolio start-ups in 2021

+100

Start-ups part of Wayra ecosystem

Diversity

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

ESG

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

Telefónica Deutschland
●●●