SHAPING MOBILE FREEDOM RESPONSIBLY

Corporate Responsibility Report 2017

ABOUT THIS REPORT

Corporate responsibility (CR) shapes the Telefónica Deutschland Group's business mindset and has an important part to play in how we act. In this CR Report, we present the key information regarding our sustainability activities. It is aimed at all of our stakeholders such as the customers, employees, business partners, shareholders, policymakers, academia, non-governmental organisations (NGOs) and the interested public. We published our last CR Report in May 2017.

REPORTING PERIOD AND REPORT BOUNDARY

This CR Report covers the financial year from 1 January to 31 December 2017. The report also contains information regarding relevant CR activities that extend beyond this period into other financial years. The copy deadline was 28 February 2018. The quantitative key figures given in the report principally relate to the Telefónica Deutschland Group in the financial year 2017. Key figures that deviate from this are marked accordingly.

COMPREHENSIVE REPORTING IN ACCORDANCE WITH THE GRI STANDARDS

This report has been prepared in accordance with the GRI Standards: Comprehensive option. The report content was chosen on the basis of the principle of materiality and takes into account our stakeholders' crucial expectations and the impacts of our business activity. The Telefónica Deutschland Group continues to develop its CR strategy. What is material here is that this is embedded at all the company levels and all along the value chain. The CR Report comprises the chapters "Corporate Responsibility Management", "Responsible Business", "Strengthening Life in the Digital World" and "Environmental and Climate Protection" that provide information on our CR strategy, measures, results, targets and challenges. The final chapter, "Facts & Figures", then lists all the relevant key figures. The entire report (incl. the table of key figures and GRI content index) was audited by the external audit firm PricewaterhouseCoopers (PwC) in accordance with the ❯ ISAE 3000 (Revised) standard with limited assurance.

REPORT FORMATS, REPORTING CYCLE AND CONTACT

The PDF version of the CR Report 2017, prior CR Reports and other recent publications regarding CR activities are available in English and German at ❯ www.telefonica.de/verantwortung. We will continue to publish a CR Report annually. Readers with comments or questions can contact our CR team at cr-de@telefonica.com. Our separate combined non-financial report for Telefónica Deutschland Holding AG for the reporting year 2017 is available to download in English and German at ❯ www.telefonica.de/nfe. As such, we are meeting our obligations in accordance with the CSR Directive Implementation Act (CSR-RUG) and are complementing our management reporting with compact information on our sustainability achievements. The latest Annual Report can be found at ❯ www.telefonica.de/investor-relations-en

GRI 102-46; 102-50; 102-51; 102-52; 102-53; 102-54

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INTRODUCTORY PART

DEAR READERS,

The fields of politics and business in Germany are facing a major task. It is imperative that together we set the right course for our country's digitalisation. Our aim here is to shape this far-reaching change for the benefit of society and make the most of the opportunities for future growth.

The telecommunications industry has a key part to play in this. We have a responsibility as the company that connects the majority of customers with mobile telecommunications in Germany. We are committed to affording everyone access to the digital world and enabling them to benefit from the opportunities it offers.

To this end, we are not only working to create a large and modern mobile telecommunications network – we are also putting our customers at the heart of our digital-transformation agenda. We want them to be able to use the achievements of digitalisation at any time and anywhere and according to their desires and needs. This is precisely what we mean when we talk about mobile freedom.

There is also great social potential in our solutions and applications in growth areas of advanced data analytics and the Internet of Things, which are consolidated within our subsidiary Telefónica NEXT. Here, we are focusing on the social and economic added value of analysing large volumes of data, which lends itself well to areas such as environmental protection, health and mobility.

Data is therefore the resource of the future – and this is what makes it so valuable and, at the same time, especially worthy of protection. We are specifically committed to ensuring people maintain control of their data and to the ability and requirement of people to confidently shape their digital lives. How data can be adequately protected is an important societal question which we are actively addressing together with our stakeholders.

We made significant progress with the implementation of our Responsible Business Plan 2020 in 2017. For example, we invested in customer satisfaction by expanding the network and launching innovative tariff concepts such as O₂ Free. In 2017 we once again gave thousands of young and elderly people access to digital participation once more with our social programmes Think Big and Digital mobil im Alter – Tablets für Senioren (Digitally Mobile in Old Age – Tablets for Senior Citizens).

Telefónica NEXT realised pilot projects in metropolitan regions in Germany for the intelligent measurement of traffic flows using mobile telecommunications data, with the projects contributing to improved air quality and efficient traffic planning. We have already won multiple awards for these sustainable initiatives and this is something we are proud of. Environmental and climate protection within our own processes are especially important to us too. We already purchase 100 % of the energy we need for our networks, offices, call centres, shops and data centres from green electricity sources. We have been involved in mobile-phone recycling together with our partners NABU and AfB for more than 15 years. We collected more than 76,000 old mobile phones in 2017 – that is approximately 20 % more than in the previous year.

This CR Report highlights how we are promoting sustainable development in a digital world together with our stakeholders. Our path to mobile freedom can only be successful if it is shaped responsibly. We are delighted that you are joining us on this journey.

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

Valentina Daiber
Chief Officer for Legal and
Corporate Affairs of
Telefónica Deutschland
Holding AG

GRI 102-14

TELEFÓNICA DEUTSCHLAND: MARKET LEADER AND PACEMAKER IN MOBILE COMMUNICATIONS

With more than 47.6 million customer connections, the Telefónica Deutschland Group is one of the top three integrated network operators in Germany. We offer our private and business customers postpaid and prepaid mobile telecommunications products and mobile data services based on GPRS, UMTS and LTE technology. Our offering also includes fixed line products such as DSL telephony for private customers and IP telephony and connection solutions for business customers.

To improve the network experience above and beyond data usage via UMTS, we continued to systematically expand our LTE network. By the end of 2017 it boasted nationwide coverage of more than 80 %. We also continue to consolidate our networks and intend to have concluded this by the end of 2018 at the latest.

To meet all of our customers' wishes, we are following a multi-brand strategy. The core brand O₂ offers our private and business customers a wide array of high-quality mobile and fixed line products, while our international corporate clients are served by our Telefónica brand. Our secondary brands include Blau, AY YILDIZ and Ortel Mobile. We also offer other mobile telecommunications brands via strategic partnerships, such as ALDI TALK and Tchibo mobil. Our partner business is an important pillar of our multi-brand approach. Our aim is to reach additional large customer groups with our partner brands via our wholesale channels that we are unable to reach with our core brand O₂ and our secondary brands.

Our customers can choose from a diverse array of products that not only includes smartphones but also virtual-reality glasses and smartwatches. The sales channels we use are our own shops, independent franchise and premium partner shops, online and telesales channels and cooperations with retailers.

The Telefónica Deutschland Group generated combined revenues of EUR 7.3 billion in the financial year 2017 (2016: EUR 7.5 billion) and had 8,665 employees (2016: 8,843 employees)[1].

THE CURRENT COMPANY STRUCTURE

The Telefónica Deutschland Group belongs to the Telefónica, S.A. Group with its headquarters in Madrid – one of the world's biggest telecommunications companies. The parent company Telefónica Deutschland Holding AG has its registered office in Munich and is listed on the Frankfurt Stock Exchange and in the TecDAX. Among others, the wholly owned subsidiary Telefónica Germany GmbH & Co. OHG operates under the umbrella of this company. Telefónica Germany NEXT GmbH in Berlin is another subsidiary and focuses on the areas of advanced data analytics and the Internet of Things (IoT).

[1] The employee figures for 2017 show the respective headcounts of salaried employees and staff on temporary contracts as of the reporting date of 31 December 2017. The same applies to the previous year. The difference compared with the figure of 9,281 employees as published in the Annual Report 2017 (previous year: 9,476) relates to inactive employees who are not taken into account in sustainability reporting.

GRI 102-1; 102-2; 102-3; 102-4; 102-5; 102-6; 102-7; 102-45

Telefónica Deutschland 2017
Corporate Responsibility Report

OUR BRANDS COVER ALL MARKET SEGMENTS AND CUSTOMER NEEDS:
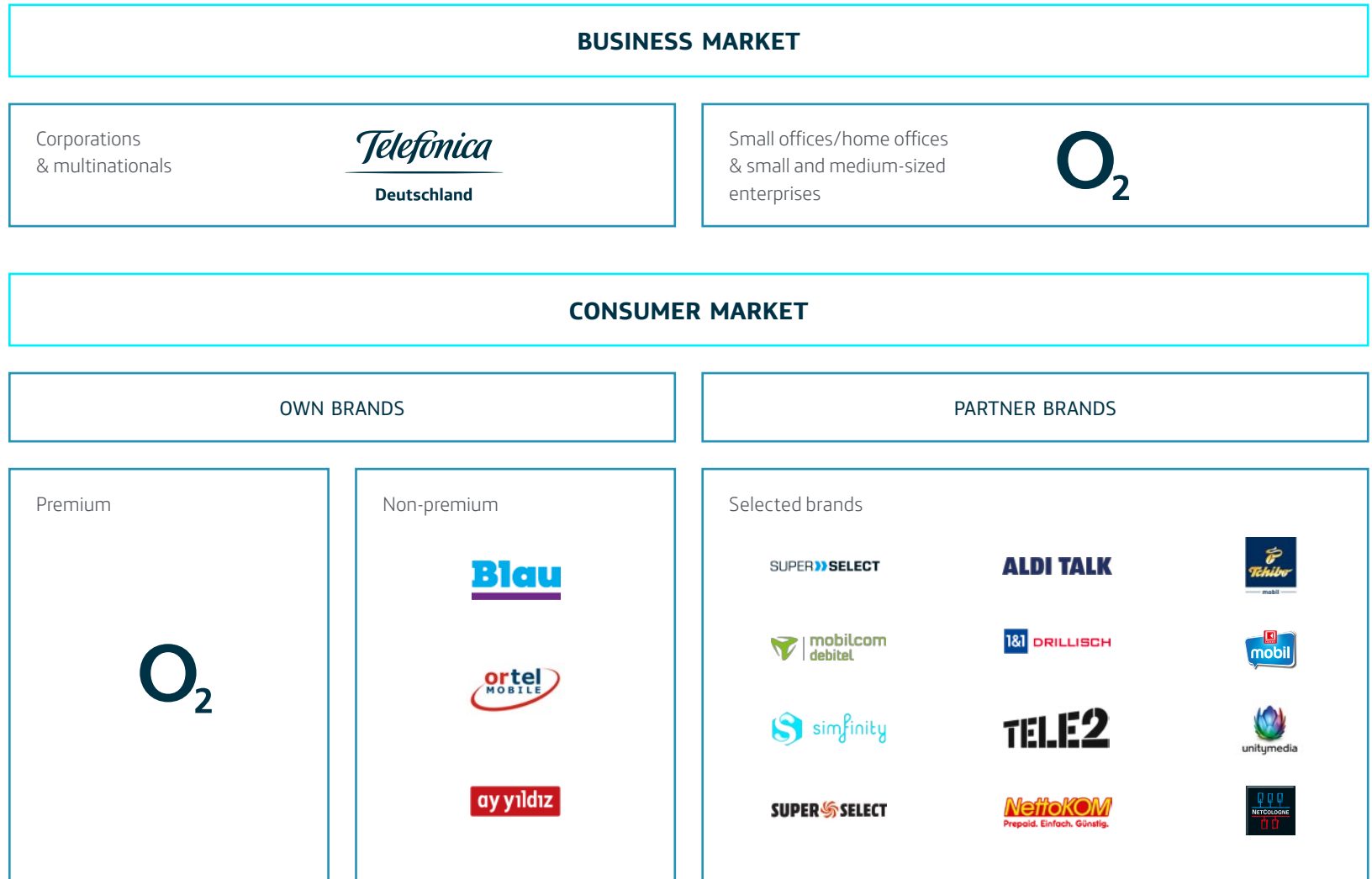
BUSINESS MARKET

Corporations & multinationals — *Telefónica* **Deutschland**

Small offices/home offices & small and medium-sized enterprises — O$_2$

CONSUMER MARKET

OWN BRANDS

PARTNER BRANDS

Premium — O$_2$

Non-premium — Blau, ortel MOBILE, ay yıldız

Selected brands — SUPER SELECT, mobilcom debitel, simfinity, SUPER SELECT, ALDI TALK, 1&1 DRILLISCH, TELE2, NettoKOM, Tchibo mobil, mobil, unitymedia, NETCOLOGNE

GRI 102-2

CORPORATE RESPONSIBILITY MANAGEMENT

MOBILE FREEDOM FOR OUR CUSTOMERS

Together with the worlds of politics and business, the Telefónica Deutschland Group is laying the foundations for Germany's digitalisation, thereby creating the parameters for future growth. As a provider of digital communications and one of the top three integrated network operators in Germany with more than 47.6 million customer connections, we are well aware of the responsibility we have in terms of shaping this change.

We aim to be the driving force behind digitalisation and want to enhance people's digital lives in all areas. As the mobile service provider with the largest number of customer connections, no other network operator brings as many people in Germany together via mobile telecommunications as the Telefónica Deutschland Group. We have a vision of simplifying and enhancing our customers' lives and affording them mobile freedom in a digital world. We systematically align our corporate strategy with this vision and are guided in this by three overarching strategic priorities:

Initially, we will create the foundation for optimising the customer experience by completing integration and optimising the fundamental success factors of our business. This in particular includes very strong performance in the areas of network and customer service in addition to stable IT systems and effective organisation.

Our second priority lies in transforming and digitalising our business so as to create a fantastic customer experience. This will allow us to position ourselves as the Mobile Customer and Digital Champion in the German market.

This leads to our third priority: to take what makes us stand out in customer service and translate this into new growth which will continue to show a positive development and profitability in addition, finally, to strong returns for our shareholders.

STRONG NETWORK AND DIVERSE PRODUCTS

By focusing on mobile freedom, we are systematically orienting ourselves towards offering our customers genuine benefits. People want to be able to move as freely as possible in the connected world and we enable them to benefit from the achievements of digitalisation from anywhere and at any time, as it best suits their wishes and needs. To this end, in addition to our modern and highly efficient network, we offer a diverse portfolio of products and brands that combine the technical possibilities of the digital world with the best possible value for money. We also understand mobile freedom as everyone being able to confidently shape

their digital lives. We therefore ensure that people maintain control of their data at all times.

We are already playing a key role in the digital revolution. We see data as the resource of the future. It serves as the basis for future technology-based applications and is especially worthy of protection. We aim to handle data responsibly while advancing innovations in the areas of advanced data analytics and the Internet of Things. In this way, we will tap the major economic, social and environmental potential of these two growth areas and will develop attractive and competitive business models.

With Telefónica NEXT, we are working towards solutions based on the analysis of large volumes of data and on interconnectivity within the Internet of Things – something which will soon become an integral part of our day-to-day digital lives. As such, we are making an important contribution to improving traffic management in our towns and cities, we are strengthening bricks-and-mortar retail and we are facilitating the networking of smart products.

Management approaches: Economic performance; Indirect economic impacts; GRI 102-15; 203-1; 203-2

CR STRATEGY FOCUSED ON NEW CHALLENGES

The Telefónica Deutschland Group's CR strategy enshrines corporate responsibility throughout the value chain and at all the company levels. We seek to do justice to the growing expectations of our stakeholders, increasingly stringent external regulation and our own aspirations of being a company which acts responsibly, and we therefore continue to develop our CR strategy. With digital technologies, we can make a special contribution to overcoming societal challenges and advancing sustainable development. For us, sustainability is about keeping an eye on the impact that all of our business activities have on people, society and the environment.

STRATEGIC DEVELOPMENT FURTHERED

Back in 2015 we developed a CR strategy for the merged company and conducted a materiality analysis to this end comprising a stakeholder survey and consideration of the impacts and the business relevance. This led to the definition of the three CR focus areas of "responsible business", "strengthening life in the digital world" and "environmental and climate protection" as well as prioritisation of the CR topics all along the value chain.

TARGETED MANAGEMENT WITH RESPONSIBLE BUSINESS PLAN

We then implemented our Responsible Business Plan 2020 in 2016 to manage and gauge our CR performance, based on the materiality analysis performed. We then focused in greater detail on the prioritised CR topics and divided them into nine umbrella topics within the three CR focus areas. We determined our overarching objectives, our ambitions, for up to the year 2020 for the three focus areas. We formulated clear commitments and developed meaningful key performance indicators for each of the nine CR topics. The CR Report 2016 covered the Responsible Business Plan 2020 in detail.

We aim to ensure that our CR strategy is up to date and comprehensive. In 2017 we took a look at the topics identified and recorded changes in terms of their impacts and relevance. We then incorporated the results into the strategy process.

EXTENSIVE REPORTING

We derive the focuses of our CR reporting from this strategy process, which reflects both the stakeholders' expectations and the impacts on society and the business relevance. The stakeholder perspective and the impact we have on society are especially relevant to reporting in accordance with the GRI Standards. The "Facts & Figures" chapter includes a GRI materiality matrix that takes this combined approach into account.

We prepared a ❯ separate combined non-financial report as stipulated by the CSR Directive Implementation Act (CSR-RUG). The CR topics relevant to this report are those on which we have a significant influence and which are highly relevant to our business.

In implementing its Responsible Business Plan 2020 the Telefónica Deutschland Group is also actively supporting the achievement of the UN Sustainable Development Goals (SDGs). The "Facts & Figures" chapter shows the contributions we make to the SDGs within the Responsible Business Plan 2020 areas of action in table form.

GRI 102-11; 102-15; 102-46

ANALYSIS AND MANAGEMENT OF CR RISKS

It is our task to shape digital transformation responsibly and for the benefit of society. We not only focus our attention on the enormous potential of digitalisation but also on the challenges and risks for people and the environment. The purpose of our risk management is to recognise these early on and actively counter them. The management of risks with relevance to sustainability will increasingly become an integral part of the Telefónica Deutschland Group's general risk management.

For the financial year 2017 the risks perceived to be material by the Group were analysed in terms of their relationship with the issues relevant to the > non-financial report, in accordance with the CSR-RUG requirements. This was followed by an assessment of the risk scenarios in terms of their probability of occurrence and their potential to have a detrimental impact on the non-financial issues as defined above. In this risk assessment, we only identified the potential for material risks pursuant to CSR-RUG in the area of customer satisfaction, which we are counteracting with comprehensive measures.

TELEFÓNICA'S RESPONSIBLE BUSINESS PLAN 2020

RESPONSIBLE BUSINESS

We are a fair and trustworthy partner for our stakeholders.

In the years leading up to and including 2020 we achieve consistently good to very good results in relevant external assessments and our stakeholder surveys.

Compliance   Employer   Supply chain   Customers

STRENGTHENING LIFE IN THE DIGITAL WORLD

We succeed in encouraging all people to embrace the digital opportunities available and develop their skills in everyday digital life according to their individual requirements and wishes.

In the years leading up to and including 2020, over 50 million people benefit annually from our products and programmes, enabling them to live digital and independent lives.

> 50 MILLION

Digital inclusion   Sustainable innovations   Data protection

ENVIRONMENTAL AND CLIMATE PROTECTION

We harness the opportunities provided by digitalisation to cut raw-material and energy consumption.

By 2020 we aim to have reduced our direct and indirect CO_2 emissions by 11 % compared with 2015.

CO_2 11 %

Conservation of resources   Energy & CO_2 reduction

SUCCESSFUL IMPLEMENTATION OF THE CR STRATEGY

The Telefónica Deutschland Group's Corporate Responsibility department develops the CR strategy in line with the German corporate strategy and the global CR strategy of the Telefónica, S.A. Group. The CR strategy is approved by the Management Board once it has been reviewed. Under the leadership of the Director of Legal and Corporate Affairs of Telefónica Deutschland Holding AG, the CR department manages the activities of all the departments and company sites on the basis of the three focal areas of the CR strategy. It also monitors achievement of the CR goals and plans new measures.

COORDINATION WITH EXTERNAL AND INTERNAL PARTNERS

Close dialogue with the stakeholders is especially important to the Telefónica Deutschland Group and is fostered by the CR department and by the relevant specialist departments. The aim of this ongoing dialogue is to identify the expectations that people have of the company and to recognise key issues and trends early on. The stakeholders' concerns are also evaluated by senior management in strategy workshops, with the findings subsequently being reported to the Management Board.

The Telefónica Deutschland Group also continues to strengthen its internal dialogue. In Germany, the relevant specialist departments work closely with the CR department within various bodies such as the CR Committee, the Environment Committee and the Energy Committee. The focus here is on evaluating the projects and measures implemented. The Telefónica Deutschland Group also discusses overarching corporate responsibility topics with the Telefónica, S.A. Group on a continuous basis.

MEASURING TARGET ATTAINMENT USING PERFORMANCE INDICATORS

The Management Board is the Telefónica Deutschland Group's top management level. As such, it reviews and verifies the CR goals set each year together with the specialist departments. These goals are integrated into our management processes on the basis of company-wide key performance indicators (KPIs). Additionally, clear commitments have been defined for all the material CR issues within the Responsible Business Plan 2020 with details that can only be amended by a Management Board resolution.

Achievement of the goals is regularly reviewed in consultation with the senior management of the specialist departments involved. In addition, the key non-financial performance indicators are verified annually by an audit firm.

The Telefónica Deutschland Group's CR goals can only be realised together with our employees. We therefore regularly keep them abreast of our CR activities and actively involve them in our commitment. Our suppliers likewise have a huge responsibility. The Telefónica Deutschland Group's supplier management expresses clear requirements in achieving more sustainable value added, in particular by enshrining ethical, environmental, social and data protection criteria in the procurement processes.

GRI 102-18; 102-19; 102-20; 102-21; 102-31; 102-42

CR MANAGEMENT IN THE TELEFÓNICA DEUTSCHLAND GROUP

MANAGEMENT BOARD

Makes strategic CR-related decisions
Checks guidelines and CR targets and approves these

CHIEF OFFICER FOR LEGAL AND CORPORATE AFFAIRS

Responsible for CR on the Management Board

Exchange on CR

TELEFÓNICA, S.A.

Offers global CR strategy
as orientational framework for
local CR positioning

Coordinates globally relevant
CR topics and guidelines

Regular exchange on CR

Regular exchange on CR

CR DEPARTMENT AS COORDINATING OFFICE

Develops the national CR strategy
and CR guidelines and translates them
for the specialist departments

Coordinates, monitors and reports
interdepartmentally on CR activities,
KPIs and targets

Initiates and supervises CR projects
with a strong societal impact

INTERDEPARTMENTAL CR COMMITTEE

Collaborate intensively

SPECIALIST STEERING COMMITTEES

SPECIALIST DEPARTMENTS

Formulate goals and KPIs in
coordination with the CR department

Realise measures and report
to the CR department

Work in steering committees at operational level
to deal with issues involving other departments

GRI 102-18; 102-19; 102-20; 102-21

NEW IMPETUS THANKS TO STAKEHOLDER DIALOGUES

The Telefónica Deutschland Group is committed to being a fair and trustworty partner for its stakeholders. Transparent communication and dialogue with its customers, employees, suppliers and all other stakeholders are very important to the company. We want to enhance people's digital lives with innovative products and learn more about their needs in order to do so. It is also important for us that we recognise the impact that our actions have and that we further develop our business model in a way that benefits society as a whole too. The chart on the page after next shows the ways in which stakeholders can communicate their interests to us and the levels at which we engage in dialogue with them.

OPEN DISCUSSION OF THE DIGITAL OPPORTUNITIES AND CHALLENGES

Mobile freedom is contingent upon digital self-determination, having control over your own data and having opportunity-oriented knowledge. The debate within society regarding the role of data, artificial intelligence and a new way of working is something we are fostering within the Telefónica BASECAMP. We want to engage with the forces within society in all sorts of ways on the topic of

digitalisation and are turning our attention to the question of how we want to live and work in the digital world and what role digitalisation has to play in this. We offer a platform for debate, discussion and dialogue in this regard.

In 2017 we once again considered the digital present and future during various events held as part of the Telefónica BASECAMP. These included the Data Debates event series held with our cooperative partner the newspaper Der Tagesspiegel, which, together with a ❭ dedicated website, brings together important contributions to the discussion within society regarding smart data usage. The potential offered by and the risks relating to the newly created data pool are discussed once a month together with guests, an audience and the online community. For example, the first event, which was attended by Federal Minister of the Interior Thomas de Maizière, focused on the question "The future of the digital society: what direction are freedom and privacy developing in?".

We launched a fortnightly IoT brunch in 2017 as a platform for entrepreneurs, developers and interested parties to discuss the Internet of Things. Those who attended were able to get to know the trends, demos and speakers from IoT companies and share their experience in workshops.

GRI 102-40; 102-42; 102-43; 102-44

The UdL Digital Talk political panel discussion platform, which has now been running for eight years, once again brought people from the fields of politics, business and digital life together in 2017. For example, the SPD politician Katarina Barley and Ingo Dachwitz, editor of netzpolitik.org, considered the question of what influence social media have on the shaping of public opinion. In another UdL Digital Talk, the CDU politician Jens Spahn spoke in favour of modernising administration by using blockchains. Meanwhile, the Green Party politician Robert Habeck and the political consultant Valerie Mocker took a look at the current discussion surrounding the authority to make decisions on the use of data.

ADVANCING INNOVATION THROUGH PARTNERSHIPS

The fourth Digital Innovation Day (DID) was held in 2017. This looked at the opportunities and challenges of digitalisation for companies together with some 700 partners, experts, start-up entrepreneurs, customers and other interested participants. Technologies such as 5G and narrowband IoT played an important role here, as did topics such as digital business models, big data analytics and IT security. In addition, the Digital Innovation Award was presented during the DID. This time, the British start-up Gideon came out on top in the live public vote with its smart home platform that allows appliances made by different manufacturers to be managed centrally on the basis of a uniform user interface.

STUDIES ON THE DIGITAL FUTURE

We support studies and surveys in order to understand societal challenges and address them better with our business processes, such as taking the strain off urban transport systems. For example, a 2017 study by the Fraunhofer-Institut für Arbeitswirtschaft und Organisation (Fraunhofer Institute for Industrial Engineering (Fraunhofer IAO)) conducted in cooperation with Telefónica NEXT and Teralytics confirmed that mobile telecommunications data could make a positive contribution to traffic planning. This was based on the analysis of anonymised and aggregated mobile telecommunications data for the city of Stuttgart that provided concrete insights into people's mobility behaviour.

As a research partner, our company supplied the mobile telecommunications data needed for the study.

Another survey gave important insights into the user behaviour of customers relating to their available data volumes. The survey conducted among 1,001 smartphone users ranging in age from 16 to 39 showed that what the customers wanted the most was larger data packages that would afford them greater mobile freedom. An important conclusion reached was that larger data volumes also change user behaviour and would lead to the customers streaming videos, TV services or music more frequently when on the move.

GRI 102-43; 102-44

TELEFÓNICA DEUTSCHLAND IN DIALOGUE WITH ITS STAKEHOLDERS

LOCAL AUTHORITIES

Cooperation as part of the network expansion

Consensus finding on locations

Joint pilot projects on infrastructure measures

EXTERNAL INITIATIVES

Cooperation with business, science and civil society on CR-relevant subjects

Participation in the Umweltpakt Bayern (Bavarian Environmental Pact) and Klimapakt Münchner Wirtschaft (Munich Business Climate Pact)

"Wir zusammen" (Us Together) – integration initiatives of German businesses

CUSTOMERS

Contact via shops, hotlines, chat, innovative formats such as the "O$_2$ Pop-up" shop, social media, forums

O$_2$ Gurus in the shops, hotlines, short videos, online chat, social media and in training

Self-service with the My O$_2$ app and o2online.de

INFLUENCERS FROM DIGITAL INDUSTRY, BUSINESS AND SCIENCE

Telefónica BASECAMP with formats like Data Debates, Digital Masterminds and UdL Digital Talk in order to push the social debate on the role of data, artificial intelligence and a new way of working

SECURITY AUTHORITIES

Cooperation with judicial and security authorities in accordance with legal requirements

Telefónica

Deutschland

SUPPLIERS AND BUSINESS PARTNERS

Continual close discourse with our suppliers, including on the basis of ongoing assessment results

Genuine feedback culture

POLITICAL AND ADMINISTRATIVE SPHERES, BUSINESS AND ASSOCIATIONS

Regular dialogue with, for example, local authority associations to keep local authorities up to date on network expansion

Regular events relating to current political issues

The Telefónica Deutschland Group's UdL Digital Blog

Membership of relevant associations

SHAREHOLDERS

Annual General Meeting

Reporting on the quarter and financial year

Capital market stakeholder management

Non-financial report and CR report

Sustainability ratings

EMPLOYEES

Annual employee survey

Works council meeting

Events such as "Management Board in Dialogue" and "Coffee & Croissants with the Management Board"

DigitalBrain intranet tool

Comments function for employees on the intranet

NGOs

Partnerships and knowledge exchange via programmes such as Think Big (together with Deutsche Kinder- und Jugendstiftung gGmbH), Digital mobil im Alter – Tablets für Senioren (Digitally Mobile in Old Age – Tablets for Senior Citizens) (together with Stiftung Digitale Chancen) and mobile-phone recycling (together with not-for-profit AfB as well as NABU e. V.)

Dialogue with NGOs on specialist and social subjects (B.A.U.M. e. V., NABU, South Pole, UBA, e. g. for Blauer Engel, study support/participation, e. g. with DUH or Germanwatch e. V.)

You can find a selection of our memberships and cooperations › here.

GRI 102-40; 102-43; 102-44

RESPONSIBLE BUSINESS

OUR AMBITION

We are a fair and trustworthy partner for our stake-holders. In the years leading up to and including 2020 we achieve consistently good to very good results in relevant external assessments and our stakeholder surveys.

CUSTOMER SATISFACTION   SUPPLIER MANAGEMENT   EMPLOYER   COMPLIANCE

INVESTING IN CUSTOMER SATISFACTION

COMMITMENT

We offer our customers the best product and service experience, the latest innovations and a modern network infrastructure. By 2020 we will offer one of the best customer services in the industry with a high level of customer satisfaction.

We offer our customers mobile freedom in the digital world. For us, this is a long-term promise that we offer our customers and which the entire company feels obliged to keep. In this way, we want to make it possible for our customers to live their digital lives independently according to their personal wishes, preferences and habits. At the same time, mobile freedom is about people being able to decide themselves how their data is used.

Our services and solutions for mobile freedom serve as the foundations for our customers' satisfaction – something which is crucial to the success of our company. We are therefore systematically pursuing the goal of establishing an outstanding customer experience and thus positioning ourselves as a mobile customer and digital champion within the German market.

To achieve this, we aim to perfectly align our brands with the customers' needs and win over new private, partner and business customers for our products and services. Treating our customers fairly and with respect is especially important to us. This equally applies with regard to challenges such as the customers' greater need for information and the longer hotline waiting times caused by the migration of the BASE and E-Plus brands. In the interests of customer satisfaction, we focus not only on network quality, value for money and product quality, but also on our offering innovative brands and good service quality. We are therefore optimising not only the quality of our customer service but also our customers' digital contact options and are ambitiously expediting digitalisation.

We worked intensively to improve our hotline availability in 2017 by significantly increasing our staff numbers and reducing technical downtimes by increasing the system stability at the call centres. At the same time, we expanded and continued to develop the digital self-service options we offer. With the customers using the digital self-service options more and more to deal with straightforward matters, our hotline agents now have more time to focus on our customers' complex enquiries.

USING PERFORMANCE INDICATORS TO GAUGE CUSTOMER SATISFACTION

We use the Net Promoter Score (NPS) and the Customer Satisfaction Index (CSI) as key indicators of our performance in the area of customer satisfaction. The NPS represents a customer's willingness to recommend a brand to others and therefore reflects overall satisfaction with the brand and its products and services. As this KPI is so important, we created an NPS task force in summer 2017 in order to continuously improve our NPS. An extensive set of measures for optimising our NPS was then developed, with the individual measures' statuses and successes being discussed, evaluated and followed up accordingly on a regular basis by the B2C management.

We also measure customer satisfaction using the Customer Satisfaction Index (CSI), which is based on an externally conducted phone survey of our private customers and those of our competitors. This data is collected several times a year on the basis of clearly defined criteria. The result is placed on an assessment scale ranging from 1 to 10. We are aiming to stabilise the 2017 CSI figure of 7.18 and then increase it annually in the long term.

Due to the merger of the E-Plus Group and the Telefónica Deutschland Group, our focus in 2017 was once again customer migration, integration and network reorganisation, which involved some unavoidable temporary impacts on customer satisfaction. Even with the challenges of the business combination, we succeeded in maintaining a stable postpaid customer churn rate (excluding M2M) year-on-year in 2017 (2016: 1.6 %), which we likewise record as a key indicator of our customer satisfaction performance.

"PERSONAL. LIVE. DIGITAL.": CUSTOMER DIALOGUE ACROSS ALL THE CHANNELS

Whatever a customer's service issue, we want them to be able to choose their preferred available contact channel, be it online, over the phone, by post, chat, face to face, via social-media platforms or via the print and online magazine YouCanDo as an additional information channel.

We want to advance the digitalisation of the service formats we offer to an even greater degree in order to further improve our customers' online user experience. We are constantly expanding our array of self-service options, both on our websites and within our apps, are analysing the possibilities associated with using new and innovative channels and are steadily implementing our programme of digital measures. For example, the O₂ Helpbox installed at selected locations allows users to talk to our customer advisers personally in a video chat and be given advice on the entire array of products.

Our O₂ shops and partner shops remain the focal point of our dialogue with the customers. With our new "store of the future" shop concept, we invite our customers to discover the fascinating opportunities offered by the digital world via live applications in store. In addition, our ❭ O₂ Gurus constitute an integral part of our customer dialogue, serving the customers as important personal advisers and assistants for digital life both in the shops and online.

To boost customer satisfaction, we endeavour to process any complaints received as quickly as possible and in accordance with our quality standards. We obtain direct feedback regarding our customer service online via the Feedback & Insight Tool (FIT) survey. This allows us to enquire directly about satisfaction and enter into direct communication with the customer.

To tackle unresolved customer issues as the biggest driver of dissatisfaction, we developed a FIT return call process in 2016 which has already been implemented in some areas and is currently being tested in others. This involves a return call being made to customers who state in the FIT satisfaction survey that their issue has not been resolved.

GRI 102-43

In the case of complaints received over the phone, we analyse and identify the reasons for the call and the customer's wishes by means of automated voice analysis. This makes it possible for the reasons for calls to be systematically recorded and resolved. Dialogue with the customer is followed by a process that allows staff to record improvement suggestions and the customers' wishes within the company. These are then analysed and their feasibility is examined as part of a continuous improvement process.

With the aid of a callback engine, we added to our existing contact channels an additional return call function at the customer's preferred time in all matters relating to mobile telecommunications contracts to achieve further improvements. We trialled this with selected postpaid customers in 2017.

EXPANDING NETWORK AND SERVICE QUALITY

We consider good customer service and a mobile telecommunications and fixed line network which is available around the clock to be key factors that boost customer satisfaction. After all, our private and business customers place their trust in our services being reliable and, in particular, in network failures being resolved quickly. There is otherwise the risk of negative impacts for our customers. We minimise these risks by ensuring that our network elements are comprehensively monitored and by continuing to invest in the network infrastructure.

A specialist department is responsible for efficiently monitoring the mobile telecommunications and fixed line network and resolving any problems. Its

main responsibilities include keeping the impact that working on the network has on the customers to a minimum, analysing customer complaints and remedying network outages as quickly as possible. The internal processes are continuously improved by the individual specialist departments, taking into account the technical parameters.

Network integration was systematically expedited further in 2017 and network optimisation measures are being realised with the aim of creating a fully integrated, mobile high-speed network. The aim is for the new Telefónica Deutschland Group mobile telecommunications network to use the best sites and improve the supply quality. The ultimate goal is to establish an optimum network infrastructure that is oriented towards systematically delivering customer benefits.

We are using a new measurement tool to analyse and rate the quality of the network. This tool developed by our business partner Huawei allows us to gain a better technical and qualitative understanding of our customers' data usage – in real time and across the board. This information enables us to identify the cause of poor reception or greater capacity requirements at a particular mobile telecommunications site more quickly and to then directly implement measures.

INTEGRATION PROJECT STRUCTURED SUCCESSFULLY

Another milestone in our company's integration was the completion of the process of bringing all the O₂ and E-Plus private customers together within common technical platforms for prepaid

and postpaid customers respectively. Transitioning prepaid and postpaid customers in the double-digit millions to a common customer system has been the largest migration project of its kind in Europe to date.

As part of this technical merger, we have also restructured the brand portfolio on the basis of a focused multi-brand strategy. This involved E-Plus and BASE customer connections being transitioned to the O₂ core brand. In all of these processes, we pay close attention to ensuring that the customers continue to receive the services promised to them unchanged and are able to benefit from the O₂ services.

GRI 102-43

IMPROVING SUPPLY CHAIN SUSTAINABILITY

COMMITMENT

We promote sustainable procurement management and supplier management. In the years leading up to and including 2020 we will take CR criteria into account in 100 % of the purchasing processes with our most important suppliers.

We are committed to sustainable procurement management and supplier management that meet product and service quality standards and comply with ethical, social, environmental and data protection criteria. We expect the same commitment of our suppliers and strive for long-term cooperation with them based on fair partnership.

The goods and service purchasing processes are managed by Telefónica Global Services GmbH (TGS) as a subsidiary of the Telefónica, S.A. Group[1]. It works with the Group's national companies around the world in this area and continuously coordinates its activities with the Telefónica Deutschland Group's Corporate Responsibility, Compliance, Legal and Data Protection departments to achieve supply chain sustainability. TGS is also responsible for the registration process for new suppliers.

As a member of international multi-stakeholder initiatives, we champion greater transparency and sustainability within the supply chain, for example within the Global e-Sustainability Initiative (GeSI),

the Responsible Business Alliance (RBA, formerly the Electronic Industry Citizenship Coalition (EICC)) and the Public-Private Alliance for Responsible Minerals Trade (PPA). Through the Telefónica, S.A. Group, we belong to the Joint Audit Cooperation (JAC), which brings together the world's largest telecommunications companies. In addition to knowledge exchange, 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.

SUPPLY CHAIN	UNIT	2015	2016	2017
Suppliers	Number	828	992	888
of which suppliers in Germany	Number	597	633	617
Proportion of new suppliers assessed with regard to environmental criteria, working conditions and human rights	%	0	100	100
Number of supplier assessments (SUMA)	Number	41	43	56

[1] There are also defined procurement processes handled directly by the specialist departments without the involvement of TGS.

Management approaches: Procurement practices; Supplier environmental assessment; Freedom of association and collective bargaining; Child labor; Forced or compulsory labor; Supplier social assessment; GRI 102-9; 102-12

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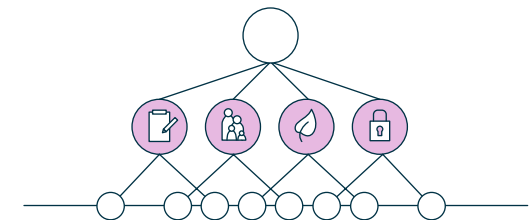
DEPICTION OF THE MINIMUM REQUIREMENTS FOR RESPONSIBLE BUSINESS,
AS DEFINED IN THE SUPPLY CHAIN SUSTAINABILITY POLICY:

ETHICAL CRITERIA

Observance of international conventions and national and local laws

Prohibition of corruption, blackmail and bribery

Avoidance of conflicts of interest

SOCIAL CRITERIA

Recognised labour relationship

Work schedule

Appropriate wages and salaries

Prohibition of forced labour and trafficking

Exclusion of child labour

Freedom of association and the right to collective bargaining

Non-discrimination

Health and safety conditions

Exclusion of conflict minerals

ENVIRONMENTAL CRITERIA

Compliance with all laws

Life cycle and preventive action

Documented environmental policy

Environmental management in accordance with ISO 14001

Climate change measures

Management of waste

Dealing with dangerous substances and chemical products

Environmentally efficient consumption of materials and resources and atmospheric emissions

DATA PROTECTION AND CONFIDENTIALITY OF INFORMATION

Data protection rules

Technical and organisational measures

SUPPLY CHAIN SUSTAINABILITY POLICY ADDRESSING NEW CHALLENGES

Our dealings with our suppliers are founded on the Supply Chain Sustainability Policy. This follows our Business Principles and is oriented towards key international treaties and standards such as the UN Universal Declaration of Human Rights, the conventions of the International Labour Organization (ILO), OECD guidelines, ISO standards, the UN Guiding Principles on Business and Human Rights and the UN Sustainable Development Goals.

Our revised Supply Chain Sustainability Policy was adopted by the Management Board in early 2017 and was integrated into the purchasing guidelines, which had likewise been updated. Examples of the key new issues to be added include data protection and anti-corruption. As part of the ongoing implementation of the policy up to 2020 we will focus on its targeted communication to our suppliers, its application to all products and services within the supply chain and the effective management of the purchasing processes of TGS, the specialist departments, the CR department and supplier contracts.

We will focus in particular on internal communication by means of training sessions and intranet formats aimed at all the employees involved.

We have begun to oblige our suppliers to observe the minimum requirements we set and to pass these on to their subcontractors. Once a supplier has completed this process, we expect them to be able to provide evidence at any time that they are meeting the requirements.

Management approaches: Procurement practices; Supplier environmental assessment; Freedom of association and collective bargaining; Child labor; Forced or compulsory labor; Supplier social assessment; GRI 308-2; 414-2

PROTECTING HUMAN RIGHTS ALL ALONG THE VALUE CHAIN

We respect and protect human rights. We have made a commitment in our Business Principles to observe the United Nations' Universal Declaration of Human Rights and the conventions of the International Labour Organization (ILO). We are committed to upholding equal opportunity and treating all people as equals irrespective of race, skin colour, nationality, ethnic origin, religion, gender or sexual orientation. We reject all forms of child or forced labour and respect the right of employees to belong to a trade union organisation. Our integrated compliance management system is designed to safeguard the observance of these principles.

In view of the array of challenges within the global supply chain, we involve our suppliers in our human rights protection activities. We have taken a specific look at this topic in our updated Supply Chain Sustainability Policy and have stipulated more stringent requirements in this area. We underline our position with our involvement in industry initiatives which are committed to the upholding of human rights, such as the Joint Audit Cooperation.

RESPONSIBLE PROCUREMENT MANAGEMENT

Procurement management and the partnerships with our suppliers are founded on our Business Principles and on the principles of integrity, commitment and transparency. For greater procurement process sustainability, we set store by compliance with the minimum requirements for responsible business as well as by efficiency and innovation based on new technologies and as extensive digitalisation of the procurement process as possible.

In the area of supplier assessment and procurement, we use SUMA (Supplier Management), a standardised tool comprising not only cost and quality benchmarks but also social, environmental and economic criteria. We checked 34 supplier companies with 56 assessments within the SUMA process in 2017. Following an assessment, we determine improvement measures and monitor their fulfilment. We are continuously developing the criteria oriented towards sustainability, drawing among other things on what we know from our established management systems in accordance with the ISO 50001 (energy management), ISO 9001 (quality management) and ISO 14001 (environmental management) standards.

SUPPLIER RISK ANALYSIS SIGNIFICANTLY EXPANDED

We perform a risk analysis within our supplier management every two years, focusing on the most important suppliers in terms of risk and procurement volumes. Here, we assess the global and industry-specific sustainability risks for all product groups, for example relating to labour conditions, safety, health, environmental protection, human rights, conflict minerals, customer satisfaction and data protection. We intend to put a system in place by 2020 to improve the sustainability performance of suppliers with a high risk.

We therefore asked suppliers with a potentially high risk to submit a self-disclosure via the EcoVadis portal in 2017. We also reviewed the existing supply chain guidelines and processes with a compliance risk assessment and developed further risk mitigation measures together with TGS. Since 2017 we have been inviting all of our suppliers to commit to a declaration of compliance with anti-corruption laws within our tendering platform. To date, 93 % of our suppliers have submitted such an anti-corruption declaration.

We also created an interface to the Factiva database, thus giving people access to information on reputation risks relating to our suppliers. This contains data regarding possible criminal offences in the areas of terrorism, corruption, money laundering, tax evasion or other finance-related offences. This information is screened daily and the suppliers' profiles are updated. Up to the end of 2017 no high reputation risk had been identified for any of the registered German suppliers.

We are aiming to introduce a financial risk assessment for active suppliers in 2018 and thereby be in a position to gain a better overall view within our procurement platform of information concerning the suppliers' finance-related risks.

Management approaches: Procurement practices; Supplier environmental assessment; Freedom of association and collective bargaining; Child labor; Forced or compulsory labor; Supplier social assessment; GRI 308-2; 414-2

ATTRACTIVENESS AS AN EMPLOYER IS A KEY FACTOR FOR SUCCESS

COMMITMENT
In the years leading up to 2020 we will position ourselves internally and externally as an attractive employer and achieve generally good to very good results in our employee surveys.

Our employees are crucial to our success – only with their commitment will we succeed in digitally transforming our company. We want to recruit the most talented individuals in a tough labour market and motivate our employees to grow with us. In this respect, the things that are particularly important to us are treating one another fairly, respectfully and on the basis of trust, a high level of employee commitment and a good work climate.

Upon conclusion of the integration process and with safeguarding the company's future in mind, we revised the HR strategy in 2017 and brought it into line with the current corporate goals. With the revised strategy, we aim to establish the prerequisites for robust and dynamic organisation. We

have set ourselves three main goals for 2018 in this respect: we will promote continued learning, increase employee commitment and improve cooperation founded on trust across the divisions and hierarchies.

Our strategic focuses include dialogue, flexible working hours, health management, training and professional development, various flexible learning and development opportunities, our framework redundancy package and a diversity concept. Among other things, it was resolved that the proportion of women/men at reporting level 1 below the Management Board (senior management) would be 30 % by 2022 (2017: 13 %). This is to be achieved with the aid of the company's new diversity concept, which became applicable on 1 January 2018.

The Management Board and Supervisory Board are subject to diversity concepts that encompass, among other things, experience and various qualifications. The gender quotas applicable to the Management Board and Supervisory Board are also important. These dictate that at least 25 % of

the Management Board members and 30 % of the Supervisory Board members must be women by 2022. Further details of the diversity concepts can be found in the 〉 Management Declaration and the company's 〉 Corporate Governance Report.

We additionally offer modern workplace concepts and benefits such as pension subsidies, discounts on public transport and insurance cover. The Chief Human Resources Officer (CHRO) has overarching responsibility for the area of human resources.
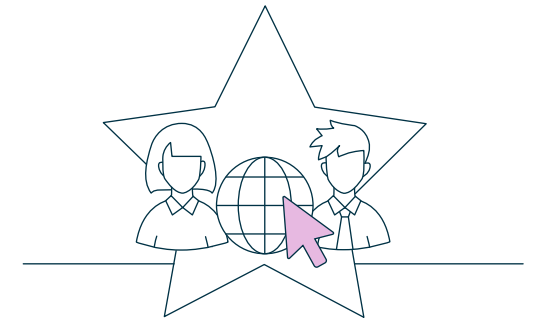
Management approaches: Employment; Labor/Management relations

CONSISTENTLY INCREASING APPLICANT NUMBERS

We assess the Telefónica Deutschland Group's attractiveness as an employer based on the development in the number of external applicants. In 2017 we registered 11.9 applicants per position advertised. We want to increase this value in a targeted manner. Our greatest challenge in the area of recruitment is filling the vacancies in the technology and sales areas. To tackle this, we are drawing on new recruitment measures such as datathons and meet-ups. To win over talented young people, we are using new HR marketing channels such as Twitter and are conducting targeted social-media campaigns. We have also introduced mobile and video recruitment, enabling candidates to apply at any time and from any location. We were able to make 1,303 external appointments[1] last year based on our needs (2016: 1,554 external appointments).

HIGHER SATISFACTION AMONG EMPLOYEES

Each year, we conduct an online, anonymous and voluntary survey among all the employees of the Telefónica Deutschland Group to measure their commitment and the general work climate ("employee satisfaction"). The results of this survey are communicated and discussed in depth at all management levels. At the team level, the executives within all the divisions are responsible for planning the measures derived from this. A critical examination of the results within team workshops is key here. Internal targets help us further boost and manage employee satisfaction. Employee satisfaction increased by 6 % between 2016 and 2017 to 67 %.

The survey response rate is an important indicator for the evaluation. In 2017 this was 68 %, representing a further increase. Our target is to raise the response rate to 70 % by 2020. To this end, we ensure that the Management Board members announce the employee survey via various communication channels and ask all the employees for their open and honest feedback. The Management Board members are given feedback on the participation rate in the course of the survey and, if necessary, can remind the employees to take part, guaranteeing at all times that participation is both voluntary and anonymous.

In addition, the Telefónica Management Board engaged in a person-to-person exchange with employees during a three-day roadshow to discuss the company's current situation. The roadshow comprised visits to Telefónica's largest sites in Munich, Nuremberg, Hamburg, Potsdam and Düsseldorf and was documented for all the employees by means of video recording and comprehensive follow-up reporting.

HANDLING INTEGRATION RESPONSIBLY

We focused on company integration again in 2017 which had a substantial influence on employee satisfaction and our attractiveness as an employer. It is very important to us that all the measures relating to integration and transformation are as socially acceptable as possible and that, at the same time, we have high-quality rules in place and achieve the best possible security for existing jobs. After approximately 1,300 full-time jobs were cut in 2015 and 2016 and following a further reduction of around 200 full-time positions in 2017 the restructuring programme has now almost come to an end.

ATTRACTIVENESS AS AN EMPLOYER	UNIT	2015	2016	2017
Employee satisfaction: work climate and commitment	%	67	61	67
Employee survey response rate	%	64	65	68

[1] The figures comprise salaried employees and staff on temporary contracts who started between 1 January and 31 December 2017. The difference compared with the figure of 1,405 employees as published in the Annual Report 2017 (previous year: 1,657) relates to inactive employees who are not taken into account in sustainability reporting.

Management approaches: Employment; Labor/Management relations; GRI 102-43

EMPLOYEES BY AGE GROUP AND GENDER:
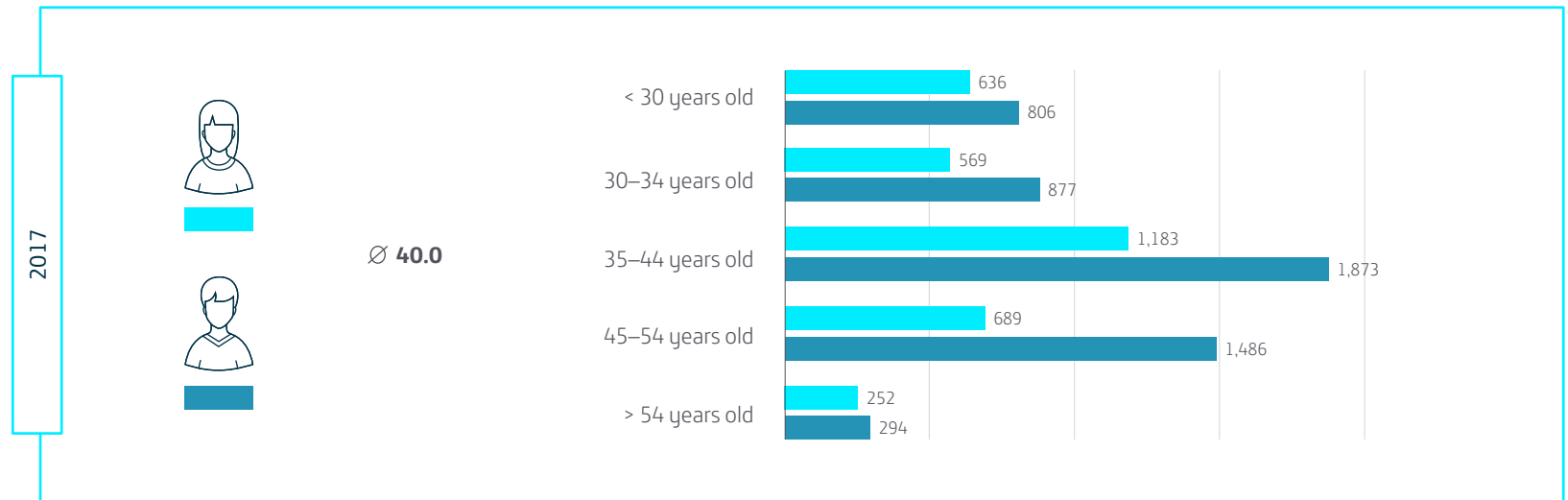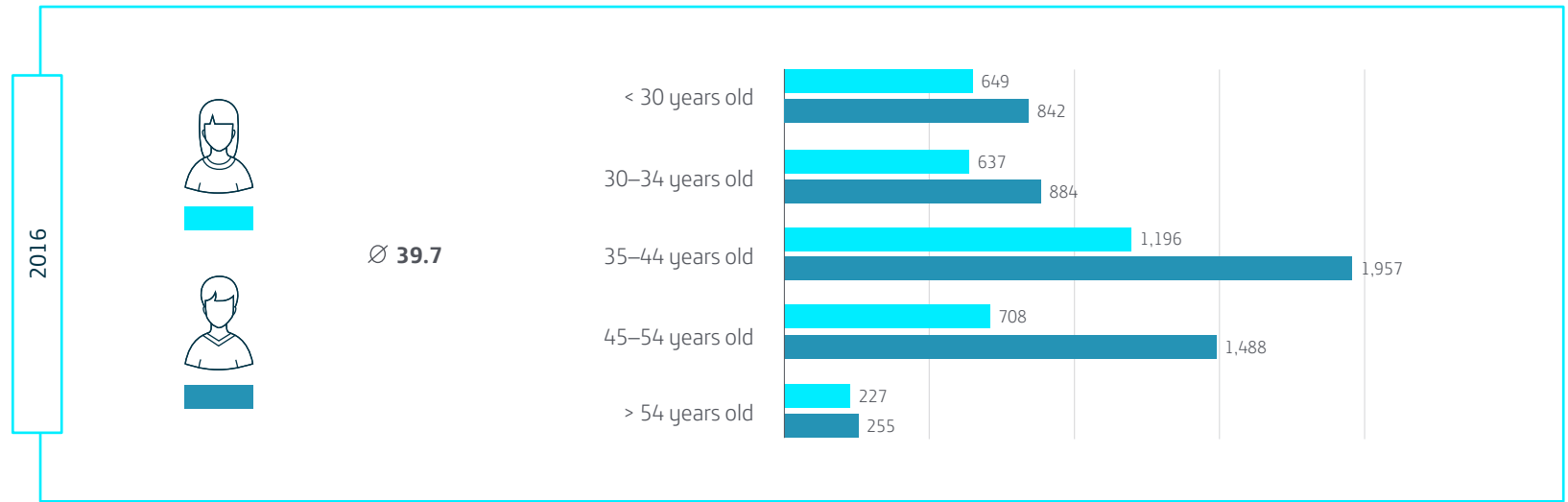
2016

∅ **39.7**

Age group	Female	Male
< 30 years old	649	842
30–34 years old	637	884
35–44 years old	1,196	1,957
45–54 years old	708	1,488
> 54 years old	227	255

2017

∅ **40.0**

Age group	Female	Male
< 30 years old	636	806
30–34 years old	569	877
35–44 years old	1,183	1,873
45–54 years old	689	1,486
> 54 years old	252	294

< 26 >

TRAINING AND PROFESSIONAL DEVELOPMENT IN THE DIGITAL ENVIRONMENT

We use various building blocks in the area of training and professional development to safeguard our digital expertise. We offer interns, working students, trainees and dual-studies students a variety of career entry options. We took on 14 new trainees in clerical and technical areas in 2017. The retention rate among those who completed their training in 2017 was above 85 %. In total, the Telefónica Deutschland Group employed 80 trainees and dual-studies students in 2017.

The first class of young university graduates in our Onlife Graduates programme launched in 2016 had the opportunity to take their own start-up ideas through to market maturity with the support of company executives. Among other things, this resulted in the ❯ "mitwelt" community app, which is already available in the App Store and which allows users to connect interactively at their location.

Our employees can also take courses with an international focus at Telefónica's own "Universitas" in Barcelona. The courses offered include the Global Management Programme, Women in Leadership and Leading Transformation.

DEVELOPING AND STRENGTHENING DIGITAL LEADERSHIP SKILLS

We also prioritised the issue of leadership in the digital age in 2017. With the working world becoming increasingly virtual and more complex, what is needed is less routine and more agility. We want to enable our executives to independently contribute to shaping our digital strategy, our company's transformation and their own development.

With the help of extensive data analysis, the Telefónica, S.A. Group developed a digital transformative profile that highlights the skills needed by the executives to shape the digital transformation. Managerial staff at all the national companies and in Germany participated in this measure. The meta-analysis of 2,300 executives identified core skills such as digital experience and affinity with digital technologies, transformation skills and learning agility. Based on this, personal development plans were drawn up in the course of "digital development festivals" and a global online learning hub was established as a learning community. The programme offered at the Telefónica, S.A. Group's corporate university in Barcelona rounds off the learning opportunities for our executives at the global level.

Another focal area is making our executives proficient with regard to project work. To achieve this, we are using innovative team set-ups and processes and flat hierarchies developed as part of new agile forms of organisation in order to promote interdisciplinary cooperation and quick decision making.

Executives and project managers are additionally supported with various formats and tools relating to change management, for example with leadership workshops, team motivation formats, individual and team coaching, and specific training.

PROFESSIONAL DEVELOPMENT	UNIT	2015	2016	2017
Investments in training and professional development	Euros in Millions	5.8	7.0	6.3

A detailed description of key employee figures can be found ❯ here.

Management approaches: Employment; Training and education; GRI 404-2

BREATHING LIFE INTO DIVERSITY

Promoting diversity within the workforce is firmly enshrined in our corporate and HR strategy. We are committed to fairness and respect as well as to equal treatment irrespective of a person's country of origin, skin colour, gender, age, disability, religious affiliation or sexual orientation. We have been supporting these principles for years as a signatory to the "Charta der Vielfalt" (Diversity Charter) and the Memorandum für Frauen in Führung (Memorandum for Women in Leadership Positions (MFF)).

Gender equality is not just part of the Telefónica, S.A. Group's global diversity strategy – it is also an important element of its talent management. For example, we specifically foster the careers of female executives with our Women in Leadership programme.

In 2017 we received the first "Women-on-Board-Award" as the "best performer" from FidAR e. V., an initiative that advocates more women being appointed to supervisory boards. FidAR has been compiling a "Women-on-Board" index for the past seven years, which lists the number of women on the supervisory and management boards of the 160 DAX, MDAX, SDAX and TecDAX companies in Germany.

PROMOTING WORK-LIFE BALANCE

We run various programmes designed to help our employees strike the right balance between work and their private lives. These include work models that are flexible in terms of both location and hours, which we regularly develop further and for which we provide the necessary technical equipment. In addition, our famPLUS family service supports the employees with childcare services or assistance for family members, extra tuition, home helps and specialist advice. Support is also provided in the form of additional activities and projects through our internal initiative Working Moms and Dads.

DIVERSITY	UNIT	2015	2016	2017
Women in the company as a whole	Number / %	3,314 / 37.6	3,417 / 38.6	3,329 / 38.4
Women in leadership positions (senior management incl. Management Board)	%	15.2	16	14
Women on the Management Board	%	33	33	25
Employees' nationalities	Number	73	74	73

Management approaches: Employment; Diversity and equal opportunity; GRI 405-1

PREVENTION BASED ON INTEGRATED HEALTH MANAGEMENT

The digital revolution is already in full swing. We operate in dynamic markets with ever-changing demands being made of the products, services and, in particular, our employees. We are actively embracing demographic change, technological developments and the new requirements of the networked working world.

The Telefónica Deutschland Group is especially concerned with providing a safe work environment and maintaining and promoting the health of all our employees. We developed and adopted a health policy to this end.

The aims of our health policy are:

— The prevention of workplace accidents and work-related illness
— Promoting the maintenance of our employees' health using targeted measures
— Boosting job satisfaction and commitment
— Improving our work results
— Working together constructively and with appreciation
— Taking ourselves and others into consideration

The Telefónica Deutschland Group engages in comprehensive integrated health management in order to fulfil the goals and principles of its health policy. We intentionally make no distinction between the statutory occupational safety requirements and additional occupational health promotion measures, and we instead combine all the elements to create a comprehensive system.

The focal areas in 2017 included meeting statutory requirements using targeted occupational health and safety measures and the introduction of targeted health promotion programmes. This included restructuring and reorganisation of the occupational healthcare processes, burnout prevention, the promotion of company sports and the overcoming of health challenges caused by the digitalisation of work processes. Other measures included regular flu vaccinations and blood donations. Our employees can also seek external advice through the Employee Assistance Programme regarding private or work-related conflict situations.

We base our actions on the "Integrated occupational safety and health management manual" drawn up in 2016 on the basis of the DIN EN ISO 45001:2016 standard and which formulates concrete targets and corresponding key performance indicators (KPIs). The KPIs serve to direct and improve the
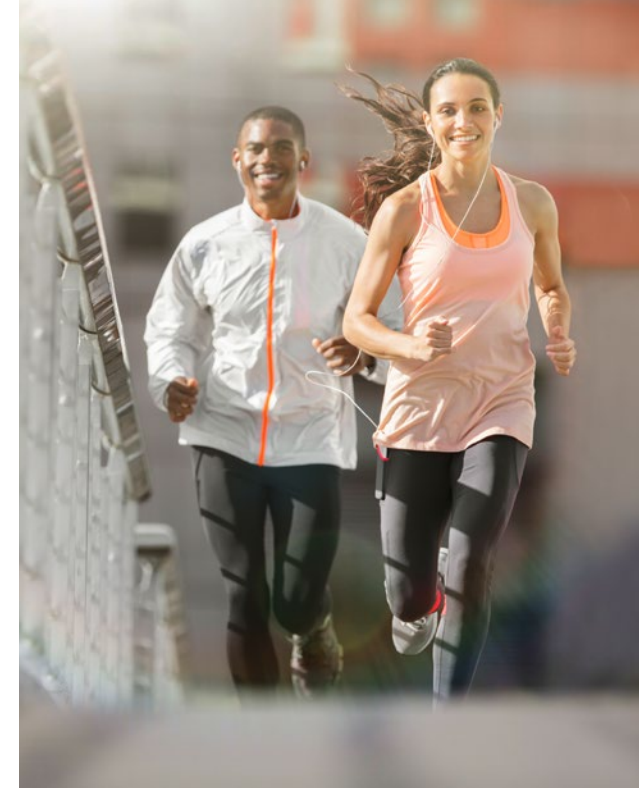
management system. Our Health Forum introduced throughout the company is responsible for the strategic planning and management of health and safety issues. It is an interdisciplinary body with equal representation from representatives of the employer and the employees.

Management approaches: Employment; Occupational health and safety

In cooperation with the Leuphana University of Lüneburg, we conducted an extensive study in 2017 on the health impacts of digitalisation, from which targeted measures are being derived. At the same time, we realised a pilot project at the Bremen site focusing on the assessment of psychological risks.

We achieved a very good result for our occupational health management in the audit performed for the Corporate Health Award in 2017 (excellence category).

CORPORATE VOLUNTEERING

Corporate volunteering is an integral part of our corporate culture. The company allows its employees to take two social days off a year for the purposes of private social responsibility activities. The Telefónica Deutschland Group also holds an annual Volunteering Day, the aim of which is for employees to contribute to society and jointly make a difference as a team. Close to 300 employees through-

out Germany participated in Volunteering Day 2017 lending support to numerous local charities. In the run-up to Christmas, employees throughout the Telefónica Group put a smile on other people's faces with the Volunteering Christmas Campaign; in Germany, a special Christmas gift campaign was run for children, senior citizens and the homeless.

Group-wide, some 39,600 Telefónica employees from 32 countries volunteered a total of around 355,000 hours in social projects in 2017.

HEALTH PROTECTION AND OCCUPATIONAL SAFETY	UNIT	2015	2016	2017
Lost days recorded due to any form of incapacity to work	Number	123,656	120,437 (62,347 men, 58,090 women)	125,570 (63,106 men, 62,464 women)
Occupational health and safety committees (occupational safety committee meetings and health forums)	Number	17	21	62
Hours of training in health protection and occupational safety	Hours	4,501	4,103	4,505

A detailed description of key employee figures can be found ❯ here.

Management approaches: Employment; Occupational health and safety; GRI 403-2

COMPASS FOR RESPONSIBLE AND ETHICAL CONDUCT

COMMITMENT

We act in accordance with all laws, societal guidelines and values. In the years leading up to and including 2020 we will strive for externally recognised certification of our compliance management system.

Our aim is to maintain and increase the trustworthiness of the Telefónica Deutschland Group. A trusting relationship with our customers and consequently our company's good reputation are founded on the integrity and sense of responsibility of all the staff. We undertake to act in accordance with all the laws, societal guidelines and values that are relevant to us.

COMPLIANCE WITH BINDING GUIDELINES AND STANDARDS

Our actions are founded on the observance of statutory requirements, international standards and internal guidelines. We are bound by the Business Principles of the Telefónica Deutschland Group

and the Telefónica, S.A. Group, which are founded on the UN Universal Declaration of Human Rights and the core labour standards of the International Labour Organization (ILO). We also undertake to engage in efficient, sustainable and transparent corporate governance and observe the rules of the Deutscher Corporate Governance Kodex (German Corporate Governance Code (DCGK)). In the > Corporate Governance Report, among others the Management Board and Supervisory Board of Telefónica Deutschland Holding AG report on corporate governance within the company. This report, the declaration of conformity with the DCGK rules and our > Management Declaration are all part of our Annual Report.

Our company has additionally established clear guidelines and rules for daily conduct regarding the key compliance issues and the relationship with our employees, customers, shareholders and other stakeholders. Along with the Business Principles, which were revised in 2017, these include the guidelines for preventing corruption and regarding competition law, which were introduced in the financial year, guidelines on how to handle invitations, gifts, conflicts of interest and incentives,

and rules regarding the procurement of services. The documented procedure for handling service providers falls into this category too.

Compliance with the rules is the responsibility of the respective divisions' superiors in consultation with the Internal Audit, Legal and HR departments. The Compliance department advises those responsible regarding all processes. If violations are discovered, they are thoroughly appraised and penalties are imposed accordingly, if necessary.

Management approaches: Anti-corruption; Anti-competitive behavior; Diversity and equal opportunity; Freedom of association and collective bargaining; Child labor; Forced or compulsory labor; Public policy; Socioeconomic compliance; GRI 102-12; 102-16; 102-17

< 32 >

INTEGRATED COMPLIANCE MANAGEMENT SYSTEM TO COMBAT CORRUPTION

We reject all forms of corruption and do not tolerate any form of bribery. Suspected cases are rigorously pursued and, if necessary, penalties are imposed. Our compliance management system focuses on combating corruption and on preventing unfair competition and conflicts of interest. With this system, we have established a company-wide framework for reliably identifying cases of corruption and preventing them as far as possible with suitable measures. No cases of corruption were recorded in 2017.

The Telefónica Deutschland Group uses an integrated compliance management system to manage compliance with the rules in order to safeguard and strengthen the trust our customers place in us and prevent financial disadvantages or damage to the reputation of our company as a result of compliance violations. Overall responsibility lies with the Director Compliance, Corporate Security, Data Protection. The Management Board and Supervisory Board of the Telefónica Deutschland Group receive a regular report on the compliance activities, in particular regarding further development of the compliance management system (CMS).

We also perform ad hoc and process-related checks and consultations regarding possible compliance risks. The compliance management system and the measures for preventing corruption are regularly checked by the Internal Audit department and external auditors. Additionally, the staff are surveyed regarding the quality and effectiveness of the compliance management system.

We oblige our suppliers and business partners to sign a declaration to observe the laws and provisions regarding anti-corruption as applicable. This is an integral part of our supply chain management.

COMPLIANCE	UNIT	2015	2016	2017
Total number of cases of corruption Confirmed suspected cases that led to measures related to labour law or sanctions	Number	0	0	0

Management approaches: Anti-corruption; Anti-competitive behavior; GRI 102-17; 205-3
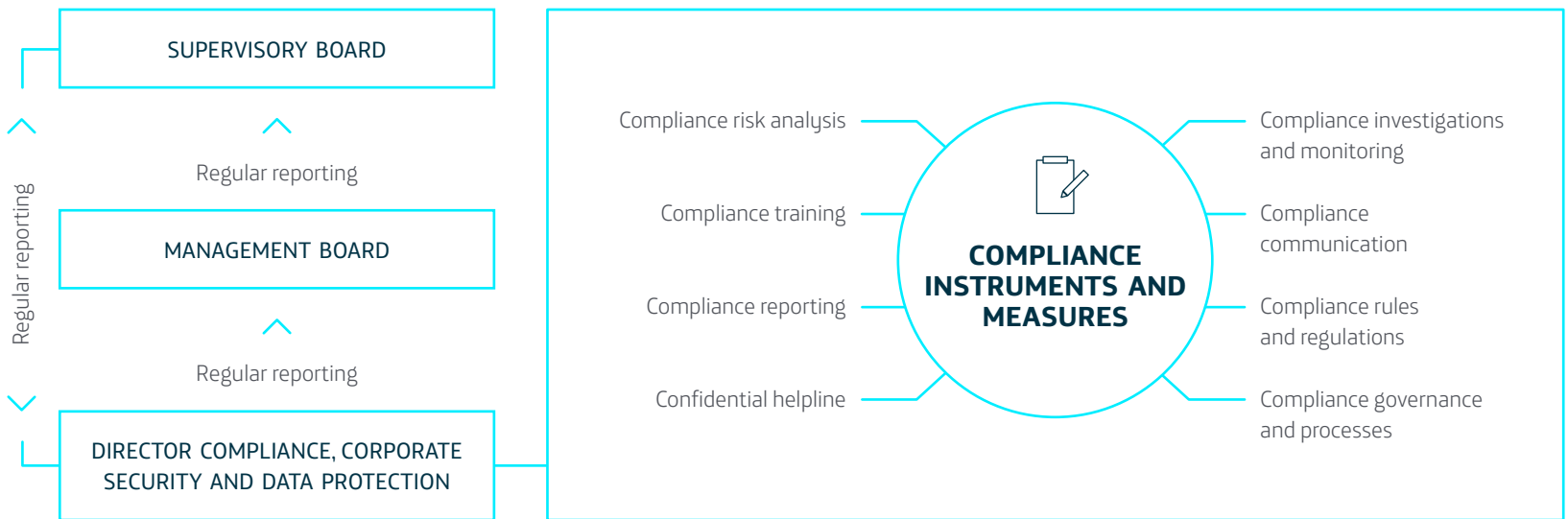
MINIMISING COMPLIANCE RISKS

We aim to nip violations of the existing compliance rules and the risk involved in the bud. Complaints can be made anonymously using our confidential helpline, which is manned by an external ombudsman. In consultation with the Internal Audit department, we have defined a process for looking into suspected cases of non-compliance and corruption. Raising awareness among our employees also plays an important part in prevention, and we see to this with comprehensive training measures. For example,

we require all our staff to undergo regular compliance training online. We regularly review our training concept and brought the company-wide training programme into line with the new laws and regulations and the updated company guidelines in 2017.

In addition to developing the new anti-corruption guidelines, we implemented other measures in 2017. Our employees can now use an internal app on smartphones and tablets to obtain important information, news and contact details relating to the topic of compliance.

We have also introduced new tools for the qualitative measurement of the awareness of compliance issues among the employees such as the internal survey tool Integrity Compass. We are additionally working on continuously improving our compliance management system and are striving for external certification in accordance with the IDW auditing standard 980 by 2020. The first stage of certification has already been initiated.

COMPLIANCE AT THE TELEFÓNICA DEUTSCHLAND GROUP

SUPERVISORY BOARD

Regular reporting

Regular reporting

MANAGEMENT BOARD

Regular reporting

DIRECTOR COMPLIANCE, CORPORATE SECURITY AND DATA PROTECTION

Compliance risk analysis

Compliance training

Compliance reporting

Confidential helpline

COMPLIANCE INSTRUMENTS AND MEASURES

Compliance investigations and monitoring

Compliance communication

Compliance rules and regulations

Compliance governance and processes

Management approaches: Anti-corruption; Anti-competitive behavior; GRI 102-17; 205-1; 205-2
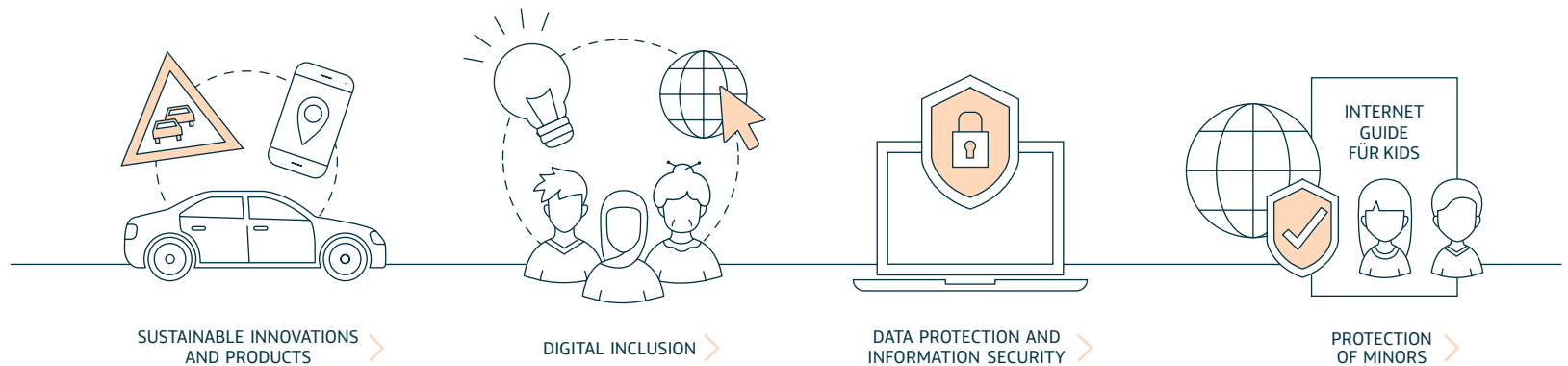
STRENGTHENING LIFE IN THE DIGITAL WORLD

OUR AMBITION

We succeed in encouraging all people to embrace the digital opportunities available and develop their skills in everyday digital life according to their individual requirements and wishes. In the years leading up to and including 2020, over 50 million people benefit annually from our products and programmes, enabling them to live digital and independent lives.

SUSTAINABLE INNOVATIONS AND PRODUCTS

DIGITAL INCLUSION

DATA PROTECTION AND INFORMATION SECURITY

PROTECTION OF MINORS

DIGITAL INNOVATIONS FOR SOCIETAL BENEFIT

COMMITMENT

In the years leading up to 2020 we will push technologies to simplify linking up people, devices and machines in the private and industrial world. The goal is to support our customers in the realisation of new digital products and business models.

The Telefónica Deutschland Group and the subsidiary Telefónica NEXT, which was established to handle the growth areas of digitalisation, aim to live up to their own aspirations with sustainable innovations.

We want our digital products and services to make people's lives simpler, safer, healthier and environmentally friendlier. One of the keys to this is sustainable innovations – an area in which we focus on analysing large volumes of data and on intelligent devices and connected objects. We aim to support our customers in the realisation of new products and business models in order to give all areas of society access to digital products.

With all our products and technologies, our top priority is complying with the strict data protection requirements. One example here is our data anonymisation process, which has TÜV Saarland certi-fication and which prevents data taken from digital sources, such as mobile telecommunications or Wi-Fi, from being assigned to a specific individual. Telefónica NEXT also offers this data anonymisation platform as a service for its business customers, enabling them to anonymise their data effectively. This will allow other companies to apply the same standards to their business activities in the future too (big data privacy services).

INTO THE FUTURE WITH TELEFÓNICA NEXT

We have pooled the digitalisation growth areas of advanced data analytics and the Internet of Things within our subsidiary Telefónica Germany NEXT GmbH. The portfolio of digital solutions comprises five areas: transport analytics (understanding movement patterns in Germany), the consumer Internet of Things (developing connected products for the end customer market quickly and easily), retail solutions (understanding and serving target customer groups better), smart media (mobile communication with customers in a targeted manner) and the big data privacy services (securely anonymising and protecting data).

Telefónica NEXT's business plan is drawn up as part of the strategy development process in close cooperation with the Supervisory Board and Management Board of the Telefónica Deutschland Group. The data protection requirements applicable throughout the Group are applied at all times. The key performance indicators are tracked on a monthly basis. When developing its strategy for sustainable innovations, Telefónica NEXT also communicates closely with the Telefónica Deutschland Group's CR department.

Close coordination is additionally guaranteed on the basis of defined reporting channels within the Telefónica Deutschland Group. For example, the CEO of Telefónica NEXT reports to the Chief Partner and Business Officer, who is a Management Board member.

Management approach: Indirect economic impacts; GRI-203-1; 203-2; 413-2
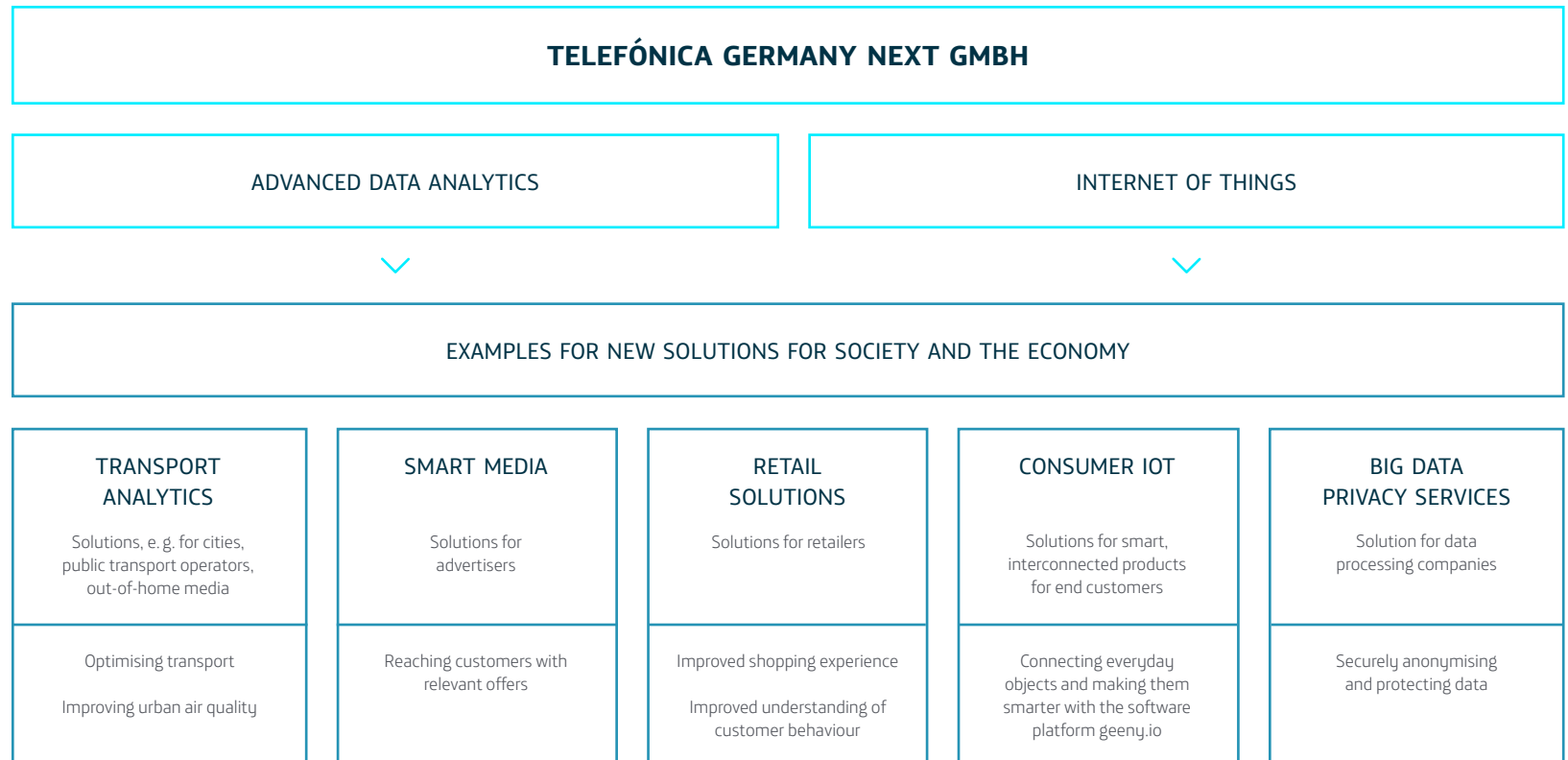
At the same time, Telefónica NEXT maintains an array of partnerships at the project level, for example with the South Pole Group, which specialises in sustainability solutions, the data analysis experts Teralytics AG, the transport planning experts at Intraplan Consult GmbH and the consortium partners within the ProTrain project sponsored by the Bundesministerium für Verkehr und digitale Infrastruktur (Federal Ministry of Transport and Digital Infrastructure (BMVI)).

We measure the success of our products and services such as the new Telefónica NEXT IoT platform internally on the basis of financial and non-financial indicators as well as Telefónica NEXT's total sales. Telefónica NEXT is already generating stable sales, for example in the areas of data analysis and smart media.

IOT SOLUTIONS FOR ENTREPRENEURS AND CONSUMERS

As a company with an efficient network and IP connectivity, we play an important part in realising IoT solutions and therefore in the success of digitalisation and the Internet of Things. And it is not just industry and business customers that benefit from our IoT expertise – with Telefónica NEXT and its partners, we also have our sights clearly set on the end customer segment.

BUSINESS AREAS OF TELEFÓNICA GERMANY NEXT GMBH

TELEFÓNICA GERMANY NEXT GMBH

ADVANCED DATA ANALYTICS	INTERNET OF THINGS

⌄ ⌄

EXAMPLES FOR NEW SOLUTIONS FOR SOCIETY AND THE ECONOMY

TRANSPORT ANALYTICS	SMART MEDIA	RETAIL SOLUTIONS	CONSUMER IOT	BIG DATA PRIVACY SERVICES
Solutions, e. g. for cities, public transport operators, out-of-home media	Solutions for advertisers	Solutions for retailers	Solutions for smart, interconnected products for end customers	Solution for data processing companies
Optimising transport Improving urban air quality	Reaching customers with relevant offers	Improved shopping experience Improved understanding of customer behaviour	Connecting everyday objects and making them smarter with the software platform geeny.io	Securely anonymising and protecting data

Management approach: Indirect economic impacts; GRI-203-1; 203-2; 413-2

THE 2017 IOT HIGHLIGHTS FOR ENTREPRENEURS

Telefónica Business Solutions is supporting the digitalisation process every step of the way. Telefónica's products stand for the three-pronged approach of networking, analysing and optimising that enables machines to be connected to the Internet, data to be analysed and business processes to be optimised.

The IoT Smart Center platform is one of the key components within our portfolio that makes tailored IoT applications possible, together with the IoT Connect data tariff developed specifically for IoT applications. The IoT Smart Center platform serves business customers as a convenient and effective system for the management of all their IoT SIM cards. The platform provides businesses with efficient tools. All the functions for the visualisation, control and monitoring of IoT SIM cards are presented clearly in an online interface which is intuitive in its use. The IoT Smart Center platform also meets high data security requirements.

SOME OF OUR CUSTOMERS' IOT APPLICATIONS

VIRTUAL POWER PLANT AS AN IOT SOLUTION

NEXT Kraftwerke GmbH in Cologne uses our IoT Smart Center platform to operate a virtual power plant in which around 3,800 small and medium-sized power producers for renewable energies are connected with the consumers. This facilitates joint electricity marketing and the assumption of network responsibility. Additionally, the balancing energy needed to offset the fluctuations that exist in flexible decentralised energy generation is provided.

PAKETIN: THE UNIVERSAL PARCEL BOX

We are a partner of the start-up company PAKETIN GmbH and are assisting with the extensive expansion of parcel boxes in households with the appropriate connectivity services. The idea is that a parcel courier from any logistics service provider can open the parcel box free of charge by making a mobile-phone call and place the parcel in the secure stable box. The parcel recipient then unlocks the electronic lock likewise by making a phone call when they get home.

DIGITAL CONTROL FOR BOSCH SECURITY SYSTEMS

For maximum reliability, the Bosch subsidiary gives its digital monitoring and alarm systems a fail-safe design involving two independent communication channels, usually a fixed line connection and mobile telecommunications. The company chose Telefónica's M2M Global SIM for its mobile telecommunications. This offers straightforward national and international roaming and, being an industry SIM card, boasts especially high failure safety.

Management approach: Indirect economic impacts; GRI-203-1; 203-2; 413-2

ON THE MOVE SAFELY WITH A SMART WALKER

eMovements has developed ello, a smart walker that with the help of an electric motor and automatic brake boosts the mobility of elderly people or people with mobility problems. There is also a built-in SOS system. However, this can only work if it has optimum connectivity. The M2M Global SIM from Telefónica which is used here works reliably, even in adverse environmental conditions, and can establish connections via nearly all networks.
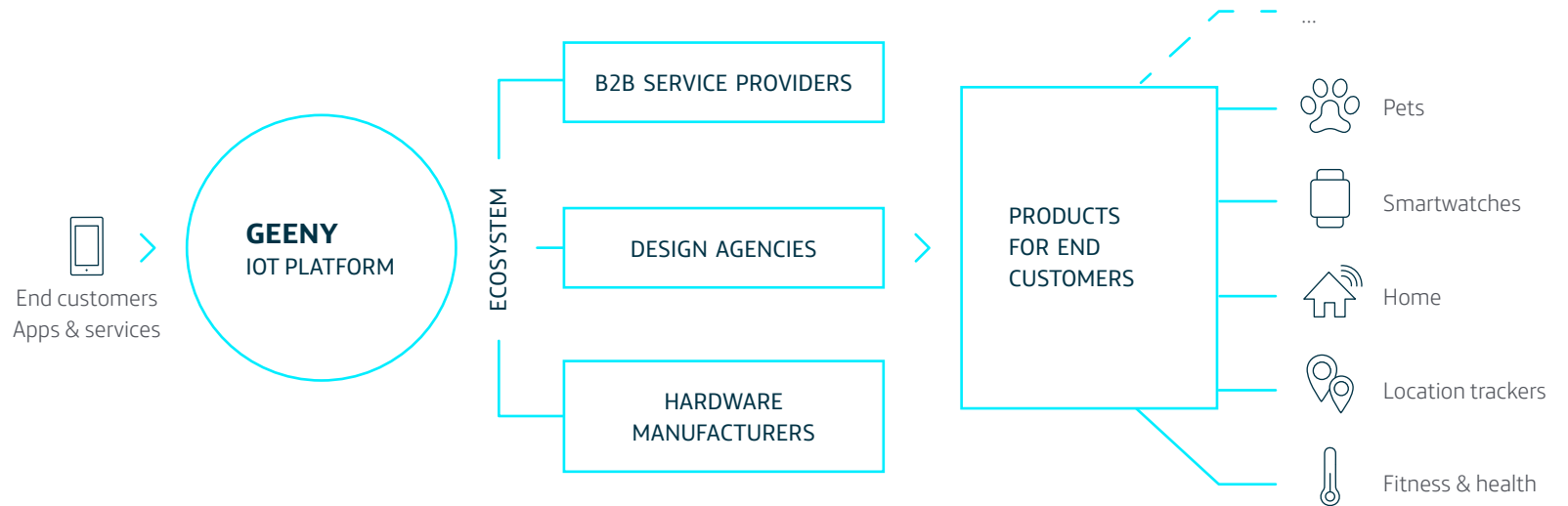
SMART MOBILITY – INTELLIGENTLY CONNECTED VEHICLES

Together with the partner GEOTAB, the leading provider of telematics and big-data solutions, Telefónica Business Solutions offers a complete solution comprising plug and play hardware with pre-integrated connectivity for the capture of vehicle data and a portal for intelligent data analysis. This affords businesses greater productivity thanks to optimised management of their vehicle fleets, thus resulting in greater operational transparency in their day-to-day business.

IOT FOR CONSUMERS: GEENY

An IoT software platform for end customer applications called Geeny was launched as an alpha version for developers in 2017. This can digitally combine smart devices and applications and pools the skills of various partners such as developers, manufacturers and designers. One of the first applications on the platform is Vitastiq, a smart pen that takes a reading of the body's vitamin levels when it touches the skin.

GEENY, THE PLATFORM FOR CONNECTED SOLUTIONS

End customers
Apps & services

GEENY
IOT PLATFORM

ECOSYSTEM

B2B SERVICE PROVIDERS

DESIGN AGENCIES

HARDWARE MANUFACTURERS

PRODUCTS FOR END CUSTOMERS

Pets

Smartwatches

Home

Location trackers

Fitness & health

Management approach: Indirect economic impacts; GRI-203-1; 203-2; 413-2

SMART DATA ANALYSIS FOR NEW TRAFFIC CONCEPTS

With our advanced data analytics line of business, we are seeking to tap the potential offered to all areas of life by data analysis, from mobility to private consumption. We can also contribute to answering key future questions with our innovative products and services. For example, urban traffic can be made more environmentally friendly by carefully analysing anonymised and aggregated mobile telecommunications data.

In 2017 Telefónica NEXT realised pilot projects in Nuremberg, Stuttgart, Munich and the Berlin metropolitan area that used mobile telecommunications data to intelligently measure traffic flows, thereby providing important starting points for improving air quality and transport planning.

IMPROVED REGIONAL TRANSPORT IN BERLIN-BRANDENBURG

The > ProTrain project aims to optimise the local public transport capacities in Berlin-Brandenburg and uses anonymised mobile telecommunications data to do so among other things. Within the project, big-data analyses are used to determine in detail the actual and the expected demand for regional transport to be able to then respond proactively. Additionally, the passengers are to be provided with real-time information about alternative connections and available seats.

BIG DATA FOR TRAFFIC PLANNING IN MUNICH

Since 2017 Telefónica NEXT and the consultancy Intraplan have been providing one of the most detailed data analyses for traffic planning in Munich. The partners are using mobile telecommunications data to calculate the anticipated flows of movement. The Fraunhofer-Institut für Arbeitswirtschaft und Organisation (Fraunhofer Institute for Industrial Engineering (Fraunhofer IAO)) has in the meantime confirmed the potential offered by such mobile telecommunications data in the area of traffic management. You can find further information > here.

NUREMBERG TRAFFIC PROJECT WINS SUSTAINABILITY AWARD

The pilot project for smart data analysis in Nuremberg won the > German Award for Excellence 2017 and came first in the sustainability innovation category. Together with its project partners Teralytics, South Pole and the city of Nuremberg, Telefónica NEXT used anonymised mobile telecommunications data to calculate traffic flows and highlight emission reduction potential.

Management approach: Indirect economic impacts; GRI-203-1; 203-2; 413-2

WAYRA SETS A NEW START-UP FUNDING COURSE

Through our Wayra accelerator programme, we have lent support to some 40 innovative and technology-oriented start-ups around the world since 2012. The successes of 2017 include the Munich-based start-up matchinguu specialising in mobile advertising, which was acquired by Verve, a location-based mobile marketing company. Wayra provided matchinguu with financial backing, premises, special mentoring and access to investors and the Telefónica Deutschland Group network.

The Parkpocket start-up funded by Wayra was bought by Continental AG to secure data-based solutions for locating parking spaces. The company founded in Munich provides apps that helps users to locate parking spaces in their vicinity and see the parking fees. Parkpocket also supports car manufacturers, suppliers and local authorities in the development of intelligent mobility systems.

The Munich-based start-up Neokami, which protects company data using artificial intelligence, was acquired by the start-up Relayr, which specialises in the Internet of Things. Neokami enables companies to identify, secure and manage sensitive data across platforms. The Berlin-based company Relayr plans to use this expertise to expand its own IoT portfolio.

Wayra restructured its start-up funding activities in 2017. The venture entity is seeking to offer both more established start-ups and young technology companies direct access to the Group. These are

to secure our company as a customer and become a supplier to it, thus facilitating an innovation and growth boost. The focus topics here are innovative B2B digital technologies such as the Internet of Things, data analysis, cybersecurity and artificial intelligence.

In addition, Wayra and Volkswagen Data:Lab launched a joint technology project at the end of 2017 to promote innovation. This is aimed at start-ups in the areas of machine learning, data analysis and artificial intelligence that specialise in mobility, connectivity or the topic of the "smart city".

INNOVATIVE SERVICES FOR OUR MOBILE-PHONE CUSTOMERS

Once again in 2017 we introduced digital innovations to the market that live up to our customers' particular expectations regarding usability, innovative technology and security.

The innovative O_2 Free tariff portfolio has been around for a year now, offering customers easy access to the digital world at a fair price at any time, even when they have used up their tariff's high-speed data volume. The tariff was developed further in 2017 and offers O_2 Free customers with 10, 20 or 25 gigabytes a larger high-speed data volume than ever before.

The new O_2 shop concept was recently recognised with the German Design Award in the category of "Excellent Communications Design – Retail

Architecture". The jury said the concept combined analogue design elements with high tech to create a striking design. Visitors to the in the meantime 285 O_2 shops that have already transitioned to the new concept can learn about innovative products and services at themed islands and immerse themselves in the digital world. In addition, the O_2 Gurus are personally on hand in the shops as experienced technology and service experts to answer the customers' questions regarding digital offerings.

With the free O_2 More Local service, the customers can be notified of nearby offers by SMS or MMS. The users simply have to give their consent to O_2 using data such as their location, age and gender. The number of subscribers to O_2 More Local increased to around four million in 2017.

DIGITAL INTEGRATION AS KEY TO SOCIAL PARTICIPATION

COMMITMENT

We make people of all age groups fit for the digital world. With Germany-wide support programmes such as Think Big, Digital mobil im Alter – Tablet-PCs für Senioren and our O₂ Gurus, we will in the years leading up to and including 2020 provide inspiration and support to 10 million people.

We want to enable everyone to enjoy the benefits of digitalisation and navigate the digital world independently and safely. In addition to facilitating a great many opportunities, we see it as our responsibility to inform people about the potential risks of the Internet and thus enable them to use media proficiently. We achieve this with the advice of our O₂ Gurus and programmes designed to particularly strengthen the digital inclusion of senior citizens and young people.

We evaluate our measures and projects with the help of accompanying scientific studies and develop them further in a targeted manner.

O₂ GURUS PROVIDE SUPPORT

Not everyone has the technical requirements, the financial means or the knowledge needed to handle digital media proficiently. We are countering this with our concept of participation, which establishes easier access to information, media and digital technology.

Our O₂ Gurus play an important part with their extensive array of services, encouraging people to make use of all the possibilities of the digital world. Focusing on helping, advising and inspiring, they can be contacted online, over the phone, by chat or video chat, or they can be talked to in person at an O₂ shop.

Our O₂ Gurus use free workshops in the O₂ shops and webinars to show participants of all ages the best way to use digital technologies. Their offering also includes numerous videos and blog articles in which digital products and services are explained simply and comprehensibly. We have held 3,204 workshops in O₂ stores and other stores since 2014.

In 2017 alone, the hotline Gurus in our contact centres provided more than 400,000 people with information and digital inspiration. Our 43 video

Gurus were viewed more than 1.2 million times in 2017. The volume of contacts has fallen overall thanks to improved availability and frequent use of the self-service options on our website and via the My O₂ app. Our O₂ Gurus additionally share useful tips and tricks aimed at all the customer groups with the help of Helping Hands videos. In the year, approximately 30 videos were shared via the official O₂ YouTube channel.

We have set up a special emergency communication service for people with impaired hearing and speech impediments. The customer can contact us by text message, which is then forwarded to an emergency response centre by fax. On average, we receive approximately 2,000 text messages of this kind a month.
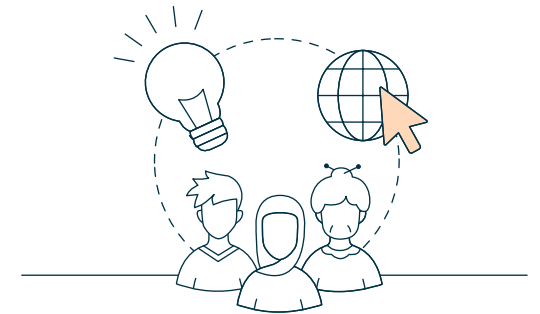
Management approach: Local communities; GRI 413-1

DIGITAL PARTICIPATION FOR SENIOR CITIZENS

We have been working with Stiftung Digitale Chancen (Digital Opportunities Foundation) for more than five years now to enable the elderly to participate more in digital life and thereby improve their mental and physical mobility. In the project Digital mobil im Alter – Tablets für Senioren (Digitally Mobile in Old Age – Tablets for Senior Citizens), senior citizens are able to try out tablet PCs for eight weeks with expert assistance and gain experience in using the Internet. This project, in which we provide tablet PCs and a data package free of charge, has already reached more than 5,000 senior citizens. In 2017 alone, just under 2,800 senior citizens participated in our project.

Together with the scientific director of Stiftung Digitale Chancen (Digital Opportunities Foundation) Prof. Herbert Kubicek, we developed an empirical study to look into the digital user behaviour of the elderly in their day-to-day lives. One of the aims of this is to develop a guide that will be made available to people who support the elderly starting in spring 2018 to help them get the elderly acquainted with mobile end devices.

DIALOGUE-ORIENTED ACCOMPANYING PROGRAMME IN MANY REGIONS

Our project for greater senior citizen participation was accompanied by numerous activities and events in 2017. The aim was to engage in dialogue with senior citizens, provide them with practical tips and inform them about the risks, for example

Management approach: Local communities; GRI 413-1

in a discussion held on the topic of online safety and consumer protection for senior citizens. At this discussion, Prof. Kubicek presented some interim study results to the participants and interested parties, and those who attended had the opportunity to talk to experts from the fields of politics and consumer protection about their experience with the digital world. The guests included Aydan Özoğuz, who is a secretary of state, and Anneke Voß of Verbraucherzentrale Hamburg, Hamburg's consumer organisation.

The Leineberg neighbourhood office in Göttingen is one of our senior citizen programme's current cooperative partners with its "Leinefischer im Netz" project. An educationalist and youths on day release from a prison spent eight weeks giving senior citizens in the neighbourhood an understanding of the Internet and using mobile devices.

The "Senior Citizen Dialogue – Opportunities and Challenges of the Internet" event held in Munich's O₂ Tower brought to an end a dialogue series that had already brought elderly people together in Düsseldorf, Hamburg and Berlin. The event was attended by around 50 senior citizens, experts from Bavaria's consumer organisation and the project sponsor and actor Erol Sander. The aim of the event was to determine what issues matter to the elderly and develop solutions to enable even more of them to make the most of the opportunities offered by digitalisation.

Under the motto of "Useful day-to-day apps for senior citizens", senior citizens at the Telefónica BASECAMP in Berlin were able to try out digital day-to-day apps in the areas of mobility and information. In the "On the move with the BVG app" practical

unit, they learned among other things how to find the right local public transport connections, look up timetables and book tickets. The "Digital newspapers" unit focused on the communication of knowledge and news for the elderly. Support was provided among others by media educationalists, consumer protectors, the Berlin transport services and providers of news apps such as the newspapers Süddeutsche Zeitung and Berliner Morgenpost.

THINK BIG: DIGITAL DEPARTURE FOR A BETTER SOCIETY

We have been championing digital skills for young people since 2010 with the ❯ Think Big programme. The programme run by the Telefónica Stiftung (Telefónica Foundation) and Deutsche Kinder- und Jugendstiftung (German Children and Youth Foundation (DKJS)) together with O₂ aims to open up new social-responsibility opportunities for young people by means of digital opportunity.

Again in 2017 Think Big supported 14- to 25-year-olds with workshops, coaching and project funding to better find their way around the digital world and develop their own social projects based on their technological skills and ideas. The focus here was on making creative use of digital technologies to achieve social change. A key area in 2017 was the generation of ideas for open and tolerant life in a diverse society under the motto of "act:together_ Zusammenhalt in Vielfalt" (act:together_Cohesion in Diversity).

More than 108,000 young people have participated in Think Big since 2010 and more than 3,800 funded projects have been funded (as at 31 December 2017). This makes Think Big a sustainable Germany-wide young people's engagement programme.

THINK BIG TOUR 2017: STAGING IDEAS DIGITALLY

The Germany-wide Think Big Tour had its third outing in 2017. This involved seventh- to tenth-year pupils from 34 schools in Berlin, Frankfurt, Hamburg, Düsseldorf, Stuttgart, Munich and Nuremberg hosting project days, the motto of which was "Your idea, your input – for ONE digital world". In all, 4,720 schoolchildren participated in the around 190 workshops. Drawing inspiration from an idea generator, the teams used tablets and video apps to stage ideas in the form of digital flip books, talking photos or conventional videos. This resulted in some 1,180 creative media projects relating to tolerance, fairness and diversity within our society.

Other highlights of the seven-week Think Big Tour included a workshop held at the Telefónica BASECAMP followed by a round of discussions on the political involvement of young people in a digital world, which was designed to be interesting by politicians, Barack Obama's former campaign advisor Julius van de Laar and the comedian Idil Baydar, alias Jilet Ayse.

Management approach: Local communities; GRI 413-1

THE THINK BIG TOUR 2017
ACT:TOGETHER_COHESION IN DIVERSITY
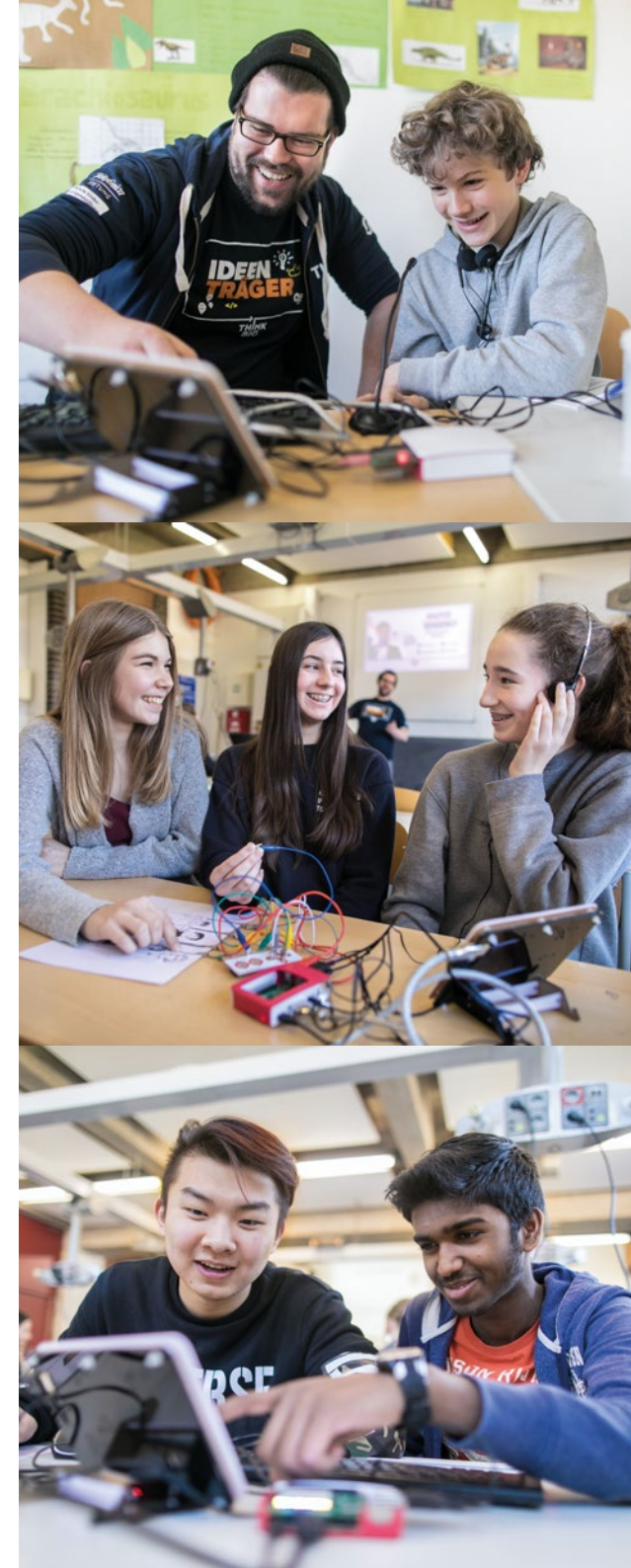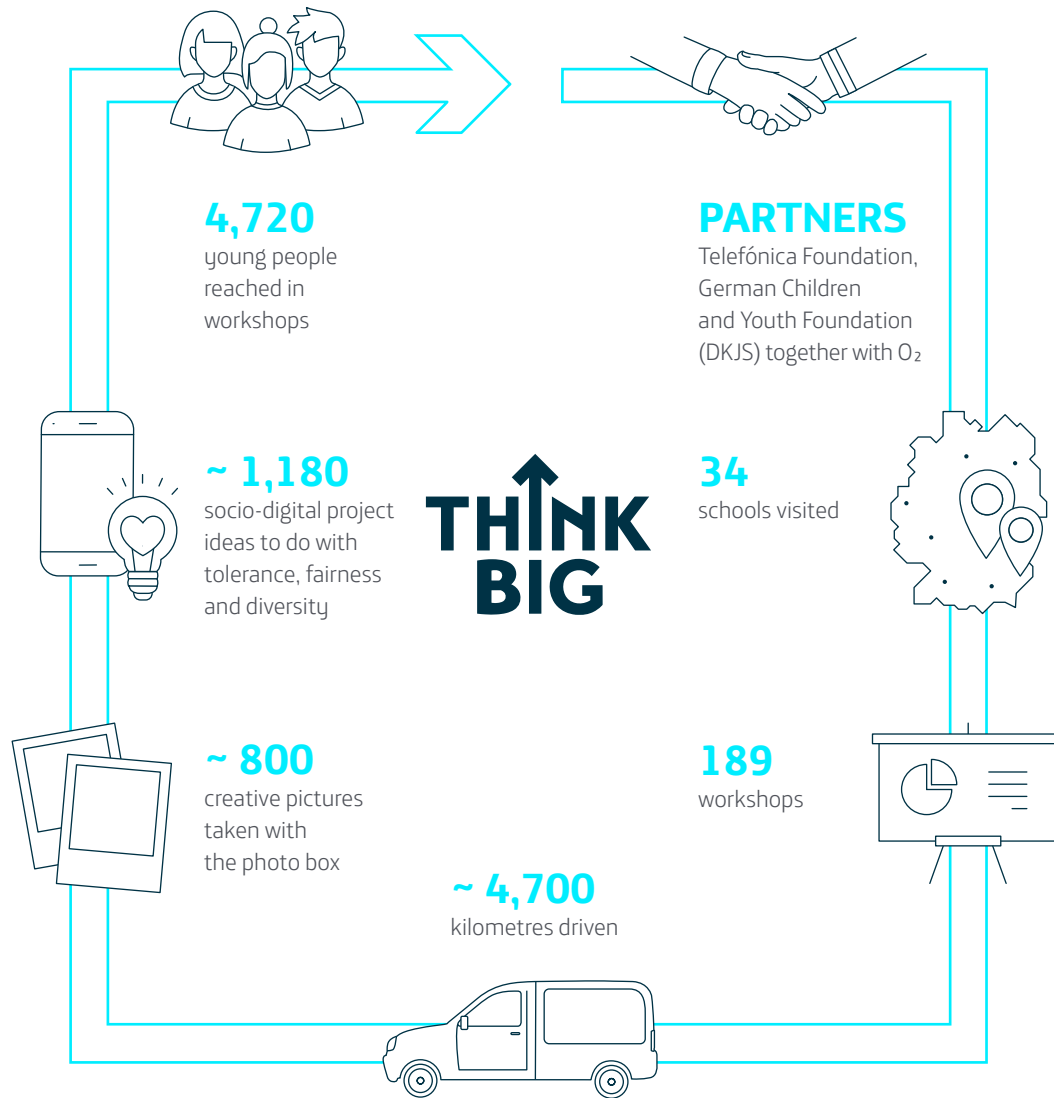
4,720
young people
reached in
workshops

PARTNERS
Telefónica Foundation,
German Children
and Youth Foundation
(DKJS) together with O_2

~ 1,180
socio-digital project
ideas to do with
tolerance, fairness
and diversity

34
schools visited

THINK BIG

~ 800
creative pictures
taken with
the photo box

189
workshops

~ 4,700
kilometres driven

Management approach: Local communities; GRI 413-1

THINK BIG HIGHLIGHTS

FIRST-TIME VOTERS' CAMPAIGN "YOUR FUTURE #GOVOTE"

Think Big has set itself the objective of encouraging young people to assume social responsibility and actively play a part. Shortly before the 2017 German parliamentary elections, we launched a first-time voters' campaign via social-media channels under the motto of "Your future #govote!". Committed young people encouraged other young people to go and vote and play a part in society and politics with their wishes and ideas by means of video messages. They also demonstrated how they are already making a contribution and motivating others to do the same.

NEW PROJECTS WITH SOCIAL IMPACT

At the Social Impact Lab Berlin, four project initiators showcased how they would change society positively with their digital solutions. This included the CrowdProtect app used to trigger an alarm in the event of a sexual assault or the project "CUBE. Your take on Europe" designed to give young disadvantaged Europeans a voice in the EU.

FEDERAL MINISTER BARLEY PRESENTS DIGITALPOKAL

The Digitalpokal (Digital Cup) was awarded for the fourth time at the Telefónica BASECAMP. This recognises outstanding socio-digital projects initiated by young people. The winning project ⟩ Quergedacht, an interactive sustainability map of Dresden – scored highly in the online vote and was presented with the Digitalpokal by Federal Minister Katarina Barley. The Think Big jury award for democratic involvement went to the "Kleiner 5 – Fake News erkennen und entwaffnen" project, which informs young people about fake news online and assists them in reading online reports critically.

EU CODE WEEK: PROGRAMMING MADE EASY

EU Code Week was held for the fifth time on the initiative of the European Commission. Here, everything revolves around teaching programming in a fun way. Throughout Europe, several hundred initiatives, individuals, companies and schools organised projects designed to introduce young people to this topic. For example, the Think Big Coding Lab formed part of a workshop day at the community school in Weil im Schönbuch and used exciting tasks and tools to show the year eight schoolchildren how easy programming can be.

Management approach: Local communities; GRI 413-1

DATA PROTECTION AND INFORMATION SECURITY IN THE INTERESTS OF OUR CUSTOMERS

COMMITMENT

We are working to ensure customers retain sovereignty over their data and remain the masters of their digital lives. We protect the data of our clients, employees, partners and investors in all products and processes, and ensure that Telefónica Deutschland's business activities comply with data protection. Our actions in this are straightforward and transparent, and we communicate with all the relevant interest groups about innovations early on.

Millions of customers use the Telefónica Deutschland Group's communication networks every day and trust our services. They expect them to meet data protection and information security requirements.

We employ a data protection management system with the goal of ensuring that the Telefónica Deutschland Group's business activities comply with the data protection rules and aim to offer our customers control over their own data and self-determination.

OUR DATA PROTECTION GUIDELINES

INNOVATION

Telefónica confers early with supervisory authorities, the legislature and other stakeholders and participates actively in the debate on data protection in the digital world. In the development of new services, we heed and establish basic data protection conditions as well as data-protection-friendly designs and settings.

PROTECTION

Telefónica protects personal data in processes and products through organisational and technical measures. We select service providers carefully on the basis that they fully uphold the statutory standards. Disclosure of data to third parties may only occur with the customers' consent or if it is permitted or even prescribed by law. In the evaluation of information for statistical analyses, we exclusively use data that have been anonymised and aggregated. It is not possible to draw conclusions about personal information.

SELF-DETERMINATION

Personal data belong to our customers. Telefónica handles these data responsibly and is committed to ensuring that sovereignty over the data remains with the customer.

TRANSPARENCY

Telefónica communicates with its customers and the public transparently as to how and for what the company uses personal data.

Management approaches: Customer health and safety; Customer privacy; Marketing and labeling

INTERNAL RULES AND PROCESSES

Data protection, information security and compliance with the relevant laws and regulations are key components of our activities. The implementation of data protection and information security in relation to the company processes, products and services is governed and guaranteed by various company guidelines, some of which go above and beyond the statutory requirements.

The authoritative frameworks include the Group-wide standard regarding data protection as the basis of the data protection management system, which was revised in 2017 and our data protection guidelines, in which we make known our principles regarding the handling of data and in communication with our customers and the public. All employees undergo mandatory annual data protection training based on online courses developed by us and personal training sessions.
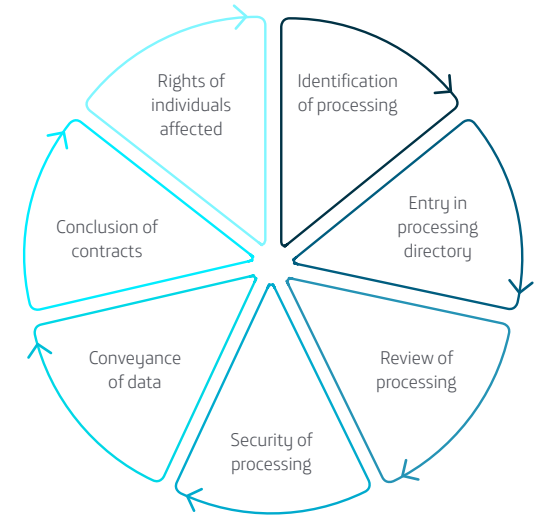
We also act in accordance with our internal security rules (Security Global Policy) and company-wide minimum security requirements (Corporate Rule on Minimum Controls). These are complemented by many other guidelines, standards and procedural instructions that bindingly stipulate how various data protection aspects are to be handled. In 2017 we pressed ahead with plans for additional procedural instructions, which were partly published in the first quarter of 2018 with more partial publishing of these still to occur in the second quarter.

We also make a commitment in our Business Principles to observing information security. We handle sensitive data confidentially and prevent it from being accessed by unauthorised persons, for example with modern encryption processes, a detailed authorisation management system or geographically spread data centres in the event of a failure at a specific location. All employees are required to undergo online training in information security at least every two years. We also conduct classroom training in various information security issues on a quarterly basis.

There are additionally various challenges, such as implementing ever-changing regulatory requirements. In 2018 this will include implementation of the EU's General Data Protection Regulation, in particular regarding data portability. We have therefore been working intensively on implementing the requirements of the General Data Protection Regulation since 2017 and have launched a company-wide project to this end.

In conjunction with implementation of the General Data Protection Regulation, we also fundamentally overhauled the governance structure of our data protection management system. This was adopted by the Management Board in the first quarter of 2018 and applies henceforth. The new structure is set to be rolled out throughout the company.
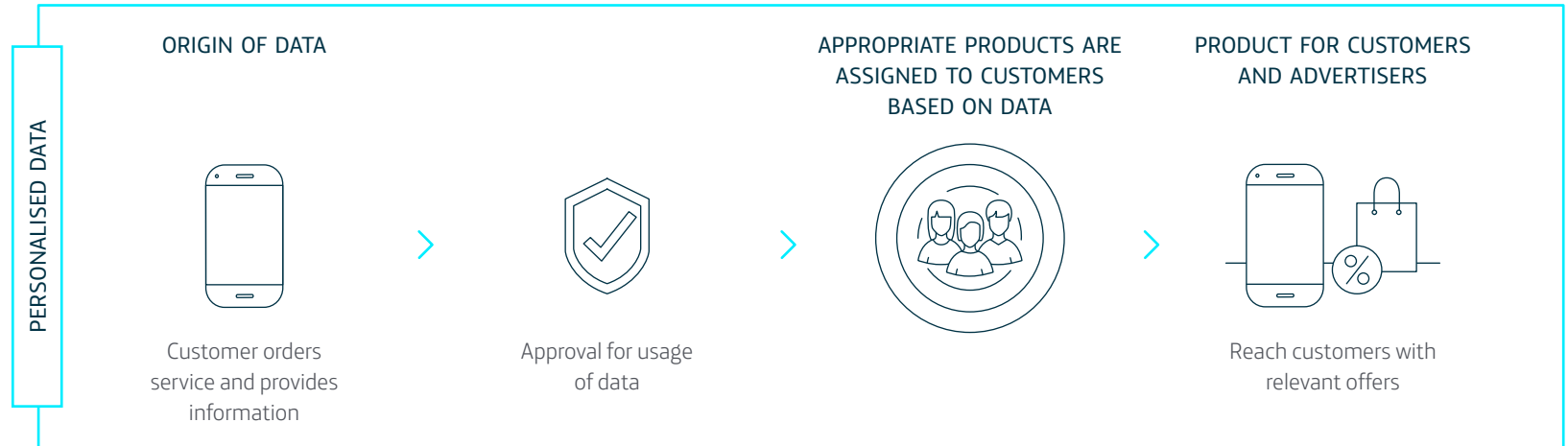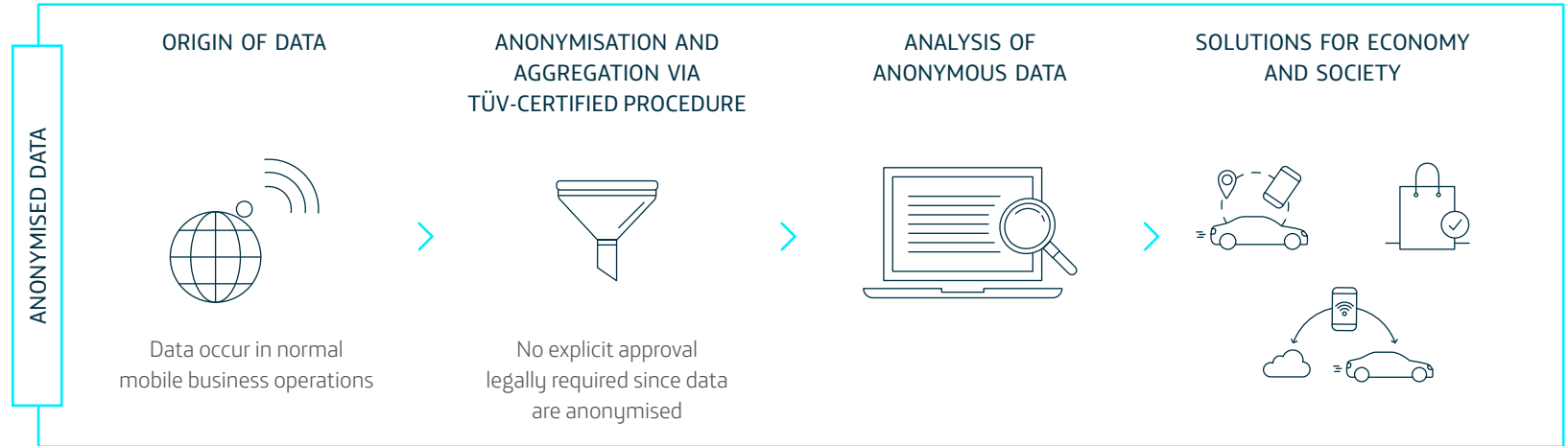
OUR DATA PROTECTION MANAGEMENT SYSTEM

Rights of individuals affected

Identification of processing

Entry in processing directory

Conclusion of contracts

Review of processing

Conveyance of data

Security of processing

Governance

Guidelines + targets

Data protection incidents

Training + raising awareness

Control

Management approaches: Customer health and safety; Customer privacy; Marketing and labeling

DATA PROTECTION AT THE TELEFÓNICA DEUTSCHLAND GROUP

CUSTOMERS RETAIN CONTROL OVER THEIR DATA – DATA ARE CONSISTENTLY PROTECTED

ANONYMISED DATA

ORIGIN OF DATA

Data occur in normal
mobile business operations

ANONYMISATION AND
AGGREGATION VIA
TÜV-CERTIFIED PROCEDURE

No explicit approval
legally required since data
are anonymised

ANALYSIS OF
ANONYMOUS DATA

SOLUTIONS FOR ECONOMY
AND SOCIETY

PERSONALISED DATA

ORIGIN OF DATA

Customer orders
service and provides
information

Approval for usage
of data

APPROPRIATE PRODUCTS ARE
ASSIGNED TO CUSTOMERS
BASED ON DATA

PRODUCT FOR CUSTOMERS
AND ADVERTISERS

Reach customers with
relevant offers

Management approaches: Customer health and safety; Customer privacy; Marketing and labeling

FURTHER INTEGRATION OF DATA PROTECTION MANAGEMENT PROCESSES

We have efficient structures and processes in place which are designed to ensure that there are no violations in the areas of data protection and information security. These include our company-wide data protection system (DPMS) and information security management systems (ISMS) which are used to manage the processes relating to standards, targets, responsibilities, training and regular checks on the measures implemented. This area is the responsibility of the Data Protection Officer and the Chief Security Officer, who report directly to the CEO and to the Management Board of the Telefónica Deutschland Group.

All employees are obliged to observe data and telecommunications secrecy, and they receive ongoing training on the topics of data protection and information security. The emphasis here is placed on purchasing, the network and online. We likewise oblige suppliers who handle sensitive data to participate in employee training on data protection and reserve the right to perform checks to verify this.

DATA PROTECTION FOR NEW PRODUCTS AND BUSINESS SEGMENTS

Another focus of our activities in 2017 was on early and comprehensive internal project consultancy. The Data Protection Officer's department was involved in the planning of new products and processes right from the start and advised the other departments on how to manage things in the interests of and in accordance with data protection requirements. In particular in relation to the founding of our subsidiary Telefónica NEXT, there were additional areas in which advice was needed, such as advanced data analytics, technical data protection and the Internet of Things (IoT).

We perform both internal audits and external audits at our service providers' premises to ascertain whether data protection regulations are being complied with. In this area, we have established clear processes and rules for incorporating subcontractors as well as appropriate contractual provisions (commissioned data processing).

We act in accordance with strict rules regarding the reporting of data protection incidents for all stakeholders. Our data protection hotline serves as a possible point of contact for reporting incidents. Our suppliers and their employees can report complaints concerning data protection via the Telefónica Deutschland Group's supplier platform.

We perform standardised checks before incorporating data into IT development and analysis processes. Additionally, our TÜV-certified data anonymisation platform (DAP), which is part of a three-stage anonymisation process, ensures that all personal references within data are removed prior to the data's statistical analysis. The DAP is used first and foremost in relation to Telefónica NEXT's data usage.

CUSTOMERS BENEFIT FROM TRANSPARENCY

Our priorities include providing regular, targeted and comprehensible information about how we process data. To this end, we have, in particular, standardised our privacy policies and have incorporated the appropriate information into the
❯ websites of our Group's brands. Using a special online format, our customers can transparently track what happens to their data and see what control options they have. Any customer can therefore revoke their consent to their data being used.

In the area of corporate security, we focused in 2017 on the one hand on implementing and optimising an information security management system (ISMS) for the merged company based on the ISO 27001:2013 standard. On the other hand, we focused on setting up a fully functional governance structure with overarching specification documents and defined processes.

SYSTEMS FOR INFORMATION SECURITY STRENGTHENED

The monitoring and reporting process for overseeing and managing information security was also further improved. We expanded the Corporate Security Emergency Center (CSEC) as a new means of reporting security incidents of any kind. The security assessments used to check the systems and processes within the Telefónica Deutschland

Management approaches: Customer health and safety; Customer privacy; Marketing and labeling; GRI 102-43

Group and as well as those of service providers and suppliers were likewise expanded.

We developed guidelines for the area of advanced data analytics that comply with the data protection provisions of Germany's Telecommunications Act (TKG) and with telecommunications secrecy, which enjoys constitutional protection.

The existing programme to boost security awareness has been extended by us with a combination of online training and classroom-based events. This included raising awareness of social engineering, in which companies are attacked not only technically but also using psychological means in order to gain the employees' trust and harvest sensitive data.

STAKEHOLDER DIALOGUE REGARDING DATA SECURITY EXTENDED

We actively engage in dialogue within our data protection forum, in which the relevant internal stakeholders are represented, and with external partners such as Bundesnetzagentur (Germany's Federal Network Agency (BNetzA)) and the Bundesbeauftragte für den Datenschutz und die Informationsfreiheit (Federal Commissioner for Data Protection and Freedom of Information (BfDI)) as the relevant authorities. Lengthy proceedings with the authorities, for example regarding data retention, were concluded in 2017.

We stepped up our stakeholder dialogue in 2017 with a new event series held at the Telefónica BASECAMP together with our partner the newspaper Der Tagesspiegel. At the monthly events called Data Debates, the potential offered by and the risks of increasing data usage are discussed.

Since October 2017 we have been offering our business customers the new CyberThreats service for greater prevention of cyber attacks. We are responding to an ever-greater need for customised and reliable security solutions to potential digital dangers by providing proprietary tools and building up our strategic partnerships. The CyberThreats service provides permanent monitoring to assist companies in identifying potential attacks early on and taking appropriate countermeasures.

With the new Web portal "Zahl einfach per Handyrechnung" (Simply pay via mobile-phone bill), we and other mobile-network operators are demonstrating how straightforward and safe mobile payment has become. The joint Clean Market Initiative has been working since 2011 to establish uniform and customer-friendly rules for payments made via mobile-phone bills with the aim of further boosting consumer confidence.

MAXIMUM TRANSPARENCY IN THE EVENT OF DATA PROTECTION VIOLATIONS

We want to prevent data protection regulations from being violated as far as possible. We also aim to keep the ratio of proceedings initiated on the basis of the suspicion of a violation to actual violations of legal requirements as low as possible. If the protection of personal data is violated, we

are legally obliged to notify the relevant regulatory authorities within 24 hours.

In the financial year 2017 one set of proceedings was initiated due to data protection violations and infringement of the legal requirements in this area. No sanctions were imposed in the form of fines as a result of data protection violations. In the area of information and network security, there were nine reportable security violations and incidents relating to confidentiality, integrity and availability in 2017. No sanctions were imposed in the form of fees because of security violations or other incidents relating to network security.

Management approaches: Customer health and safety; Customer privacy; Marketing and labeling; GRI 102-43; 418-1

# ENHANCING THE PROTECTION OF MINORS IN AN INCREASINGLY DIGITAL WORLD

A smartphone has become an integral part of life for the majority of children and adolescents. We at the Telefónica Deutschland Group see it as our specific responsibility to enable young people to deal with digital media proficiently and safely. At the same time, we are legally obliged to protect children and adolescents from problematic media content within the Telefónica Deutschland Group's offering. Complying with the stringent youth media protection requirements as dictated by the law is therefore a top priority for us. We have a dedicated Youth Protection Officer within the company who gives advice and support to ensure that our products and applications meet these requirements.

And we ensure that the protection of minors is also incorporated into our business partners' products and services at all times with the help of globally applicable guidelines. We are a member of Freiwillige Selbstkontrolle Multimedia-Diensteanbieter e. V.

(Voluntary Self-Monitoring of Multimedia Service Providers (> FSM e. V.)) and committed ourselves to the voluntary self-regulation of youth media protection in mobile telephony back in 2007. We are actively involved in the FSM's Board of Directors and endeavour to ensure that practical youth media protection in Germany always reflects the latest trends in user behaviour among children and adolescents.

Our youth protection strategy additionally seeks to promote media skills among young people with our Think Big young people's programme, technical precautions and transparent pricing. We provide our customers with information > online about the protection of minors, for example tips for parents regarding appropriate tariffs and the specific protective features of various mobile phones. The O₂ Gurus likewise serve as an important point of contact for all questions regarding the protection of minors.
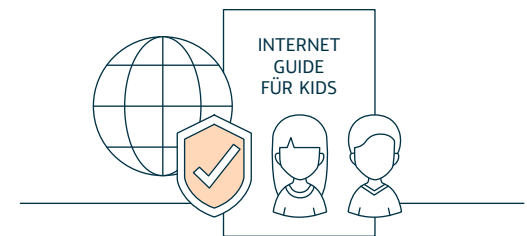
INTERNET
GUIDE
FÜR KIDS

Management approaches: Customer health and safety; Marketing and labeling; GRI 417-1

ONLINE GUIDE FOR CHILDREN AND PARENTS

Children in particular should be introduced with sensitivity to using online services and social media. Together with Deutsches Kinderhilfswerk (German Children's Relief Fund (DKHW)), FSM and ⟩ fragFINN e. V. we published the ⟩ Internet Guide für Kids (Internet guide for children) that provides the answers to many questions relating to safe use of the Internet. The guide was published in German and Turkish in October 2017. Complementing this, parents and children can still access our mobile-phone guide, which is available online, likewise in German and Turkish, and via which we have since 2016 made a great deal of information available to parents and children regarding the safe use of smartphones.

The new Internet guide for children was presented in the O₂ Tower in Munich on Safer Internet Day 2018. This publication serves children and parents as a concrete aid for greater online media skills. In an interactive workshop, 80 young schoolchildren were able to explore the opportunities and risks inherent to the Internet together with experts from the Telefónica Deutschland Group and Deutsches Kinderhilfswerk, politicians and a YouTuber. The subsequent discussion revolved in particular around the educational use of digital media. The proposal was made that media be a separate school subject and the argument was made in favour of the people closest to children providing adequate support in order to promote the safe use of digital media.

O₂ PROTECT PLUGS SECURITY GAPS

Our customers and their children can protect themselves effectively from digital risks with our mobile safety solution ⟩ O₂ Protect. With O₂ Protect, our customers can protect their Android smartphones, while O₂ Protect Complete guarantees all-round online protection for up to five devices. In addition, O₂ Protect Complete gives parents the option of activating a child safety lock and programming which digital content their children can access and for how long.

SUPPORT FOR SCHOOLS AND TEACHERS

Schools are pivotal to young people developing media skills. We are therefore actively involved in the ⟩ "Medien in die Schule" (Media to Schools) project and promote the development of teaching materials that teachers are free to use and edit. Our focus here was on developing the "Young people and mobile phones" teaching module that addresses the topics of data protection and awareness when it comes to using smartphones. We are also involved in the work of the Zentrum für Kinderschutz im Internet (Centre For Child Protection On The Internet (I-KiZ)), which was created as a think tank by Germany's Federal Ministry for Family Affairs, Senior Citizens, Women and Youth.

The brochure is available online and on request in the shops.

⟩ German version   ⟩ Turkish version

Management approaches: Customer health and safety; Marketing and labeling; GRI 417-1

ENVIRONMENTAL AND CLIMATE PROTECTION

OUR AMBITION

We harness the opportunities provided by digitalisation to cut raw-material and energy consumption. By 2020 we aim to have reduced our direct and indirect CO_2 emissions by 11 % compared with 2015.

ENVIRONMENTAL
MANAGEMENT

ENERGY & CO_2 REDUCTION

CONSERVATION OF
RESOURCES

MOBILE COMMUNICATION
AND HEALTH

ENVIRONMENTAL AND ENERGY POLICIES POINT THE WAY

The Telefónica Deutschland Group is pursuing the goal of reducing the impact its business activities have on the environment and of protecting the climate. In terms of the impact of our activities on the environment, we have identified energy consumption and greenhouse gas emissions as material. A significant impact is had on the supply chain with regard to greenhouse gas emissions, energy consumption, water shortage and air pollution. Our influence in these areas is limited, however, as the impacts occur upstream from our direct suppliers.

USING LEVERAGE FOR RESOURCE EFFICIENCY

To save energy and reduce greenhouse gas emissions, we invest in energy-efficient technology and buildings, use renewable energies, promote low-pollutant mobility and offer our customers sustainable products and services. We also reduce the volume of natural resources used and the waste that occurs in our own processes.

We act in accordance with the global corporate goals of the Telefónica, S.A. Group in the areas of energy and the climate. For example, we actively support the Group's goals of halving its electricity consumption and reducing greenhouse gas emissions by 5 % by 2020 when compared with 2015.

We established a binding company-wide environmental and energy policy to serve as the basis of our activities. This focuses on our own operations in the areas of the network, office space and mobility, responsible purchasing and our portfolio of products and services, where the emphasis is on sustainable innovations. Our environmental policy pursuant to ISO 14001 is enshrined in our ❭ Environmental Guidelines.

Our company acts in accordance with its own ❭ Energy Guidelines pursuant to ISO 50001. These are based on the Environmental Guidelines and lay down the principles of environmental management in the area of energy. This includes the ongoing improvement of energy efficiency with the help of switching to energy-saving components throughout the company.

CONCRETE ENVIRONMENTAL OBJECTIVES FORMULATED

We set ourselves binding targets for reducing our energy consumption and CO₂ emissions and make sure the necessary resources are available. To pro-

mote the use of renewable energies, our electricity is already 100 % green wherever we have control over electricity procurement. We are committed to establishing general energy management standards and to the gradual implementation of energy management systems that contribute to reducing consumption and to boosting the efficiency of our processes.

We use environmental and energy management systems to manage the environmental aspects of our activities. The Telefónica Deutschland Group's offices and own shops have now been certified in accordance with ❭ the ISO 14001 environmental management standard and ❭ the ISO 9001 quality management standard since 2004. Our company also has an energy management system in place which was awarded ❭ ISO 50001 certification in 2016. The compliance of Telefónica Deutschland Holding AG's three management systems as mentioned above with the globally applicable standards was confirmed again in 2017 on the basis of external audits.

Management approaches: Materials; Energy; Emissions; Environmental compliance; GRI 102-11; 308-2

All employees of the Telefónica Deutschland Group are given regular training in company-wide environmental and energy management. We measure the performance of our management systems on the basis of clearly defined performance indicators.

CLEARLY DEFINED POSITIONS AND RESPONSIBILITIES

To handle these topics, we created the position of an Energy and Environmental Management Officer and created cross-divisional environment and energy committees that work with the CR department to monitor target attainment, identify the key energy and environmental performance indicators, define measures and develop processes further. Environmental/energy issues and goals and the corresponding measures are subject to annual internal audits and a management review in accordance with ISO 14001 and ISO 50001.

PARTNERSHIP FOR ENVIRONMENTAL AND CLIMATE PROTECTION

Working together with our stakeholders constitutes an important part of our environmental and energy management. This includes our being long-term members of industry associations and initiatives such as the Umweltpakt Bayern (Bavarian Environmental Pact) and the Bundesdeutscher Arbeitskreis für Umweltbewusstes Management (German Association of Environmental Management (B.A.U.M.)) as well as our partnership with Naturschutzbund Deutschland

(Germany's Nature and Biodiversity Conservation Union (NABU)).

We are also actively making a contribution to the city of Munich achieving its climate protection goal with our voluntary involvement in the Klimapakt Münchner Wirtschaft (Munich Business Climate Pact) energy efficiency network. The aim of this cooperation between the regional capital and the Chamber of Commerce and Industry for Munich and Upper Bavaria is to identify the potential to make CO₂ emission savings in Munich together with the participating major companies and to develop suitable target attainment measures. As part of the Munich Business Climate Pact, we also made it possible for trainees to attend energy scout training provided by the Chamber of Commerce and Industry, enabling them to identify additional energy saving potential within their company.

Another project we sponsored was one giving advice on company mobility management with a view to reducing businesses' transport-related emissions. Our commitment to climate protection is also underlined in our membership of the RE100 initiative. Together with the Telefónica, S.A. Group, we belong to this consortium of global enterprises that have made a commitment to covering their energy needs entirely with renewable energies.

Our mobile-phone recycling programme continues to feature on the Klimareporting.de platform as a good example of Scope 3 emission reduction. The Telefónica, S.A. Group was once again included in the top category (A List) of the climate ranking put together by the Carbon Disclosure Project (CDP) in 2017, thus recognising it as a trailblazer in the area of environmental protection.

Management approaches: Materials; Energy; Emissions; Environmental compliance; GRI 102-13; 102-43

GREATER ENERGY EFFICIENCY, FEWER EMISSIONS

COMMITMENT
We will reduce our energy consumption per data volume by 40 % by 2020 compared with 2015 and annually purchase from green electricity sources 100 % of the energy we procure and control ourselves.

Our company's greatest consumption of resources is in the area of energy. Energy efficiency and CO_2 reduction are therefore two of our key environmental approaches within the value chain, and they have clear goals attached to them. By 2020 we aim to have reduced our direct and indirect CO_2 emissions by 11 % compared with 2015.

Our most important lever when it comes to reducing energy consumption and CO_2 emissions is our network technology, which accounts for most of our electricity consumption (close to 94 %). We

intend to reduce our energy consumption per data volume by 40 % by 2020 compared with 2015.

We already purchase 100 % of our energy from green electricity sources. This relates to the energy we source and control ourselves, for example for the network, offices, call centres, shops and data centres. In terms of our total electricity consumption, which also includes third parties, we are on a par with the previous year, with the proportion of renewable energies at 71 %[1]. By acquiring green electricity from a municipal energy and infrastructure company, we are actively supporting the energy transition in Germany. As part of its renewable-energies expansion drive, the energy provider promotes climate-friendly energy generation by using renewable energies such as solar and thermal power.

In the area of mobility, we are seeking to reduce the average fleet emissions to 95 g CO_2/km for the company cars approved as of 2020 with the help

of incentives. We want to reduce the CO_2 emissions caused by business travel by 10 % by 2018 compared with the reference year 2015.

In achieving our goals, we expect to see a positive effect not only on the environment but also on our business figures, as the savings made through improved energy efficiency in operating business activities (opex) are likely to amount to EUR 15 million by 2020.

[1] Network efficiency improvements meant energy consumption could be reduced in 2017. As the electricity is sourced from renewable energies in this area, the percentage of green electricity used fell slightly overall in the year under review.

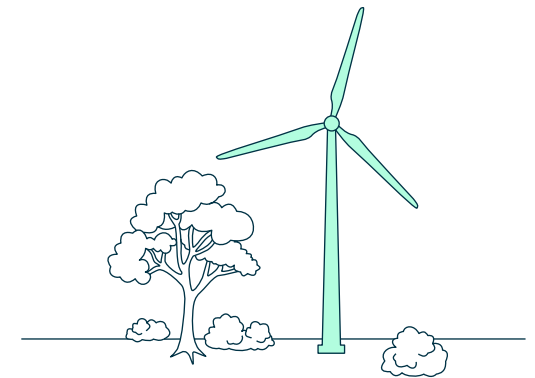| ENERGY & CO₂ REDUCTION	UNIT	2015	2016	2017
Energy intensity The energy intensity equals the total energy consumption divided by the data volume in petabytes.	GWh/PB	0.41	0.30	0.25

A detailed description of key environmental figures can be found ❯ here.

Management approaches: Energy; Emissions; GRI 302-3

ENERGY CONSUMPTION 2013–2017

LEGEND: 2013 2014 2015 2016 2017

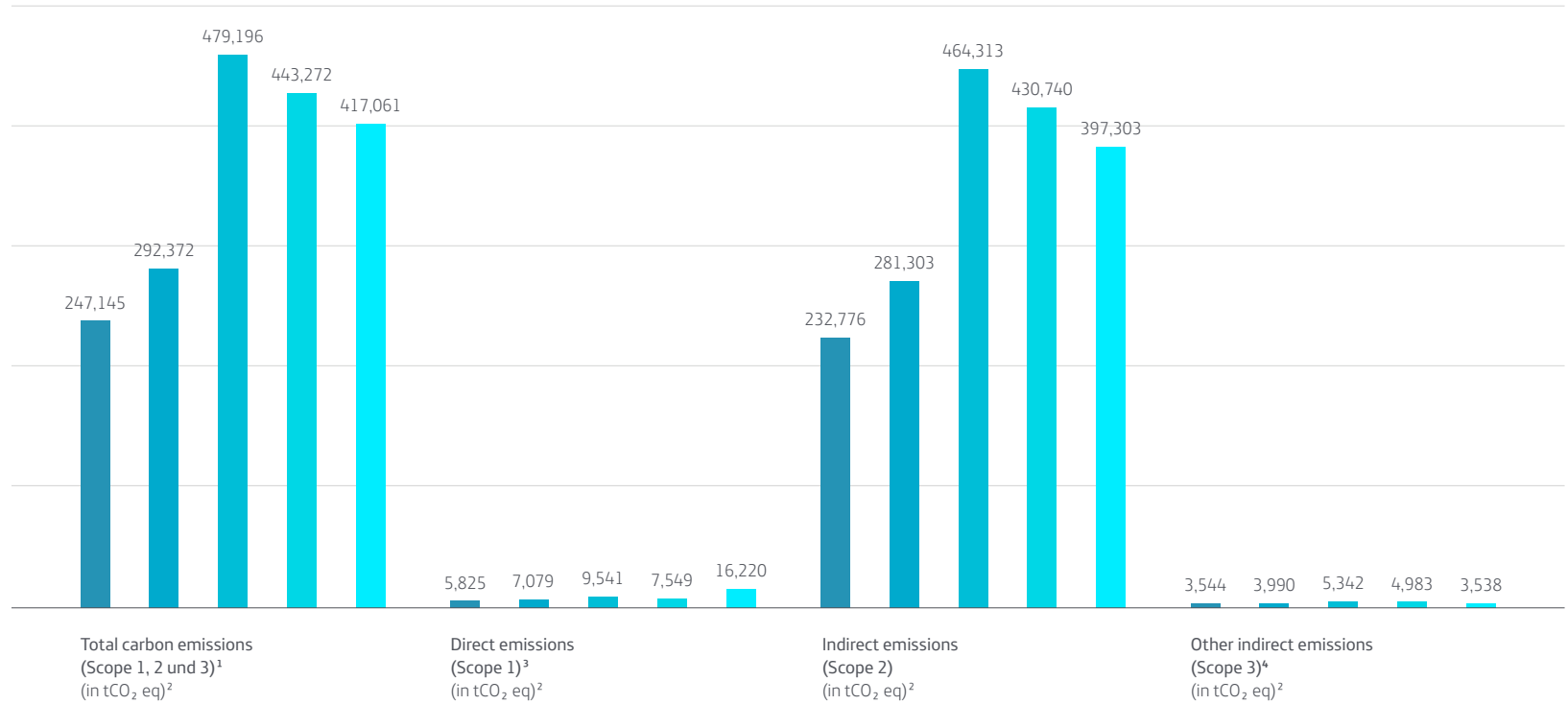|	2013	2014	2015	2016	2017
Total energy consumption[1] (in GWh)	514	620	859	843	791
Total electricity consumption (in GWh)	490	590	817	803	752
of which by the network and data centres (in GWh)	468	561	776	775	722
of which by offices, shops, call centres (in GWh)	22	29	41	28	30
Total fuel consumption[2] (in GWh)	24	30	42	40	39
Energy from renewable energy sources (in GWh)	284	354	602	591	536
Share of total electricity consumption from renewable sources (in %)	58	60	74	74	71
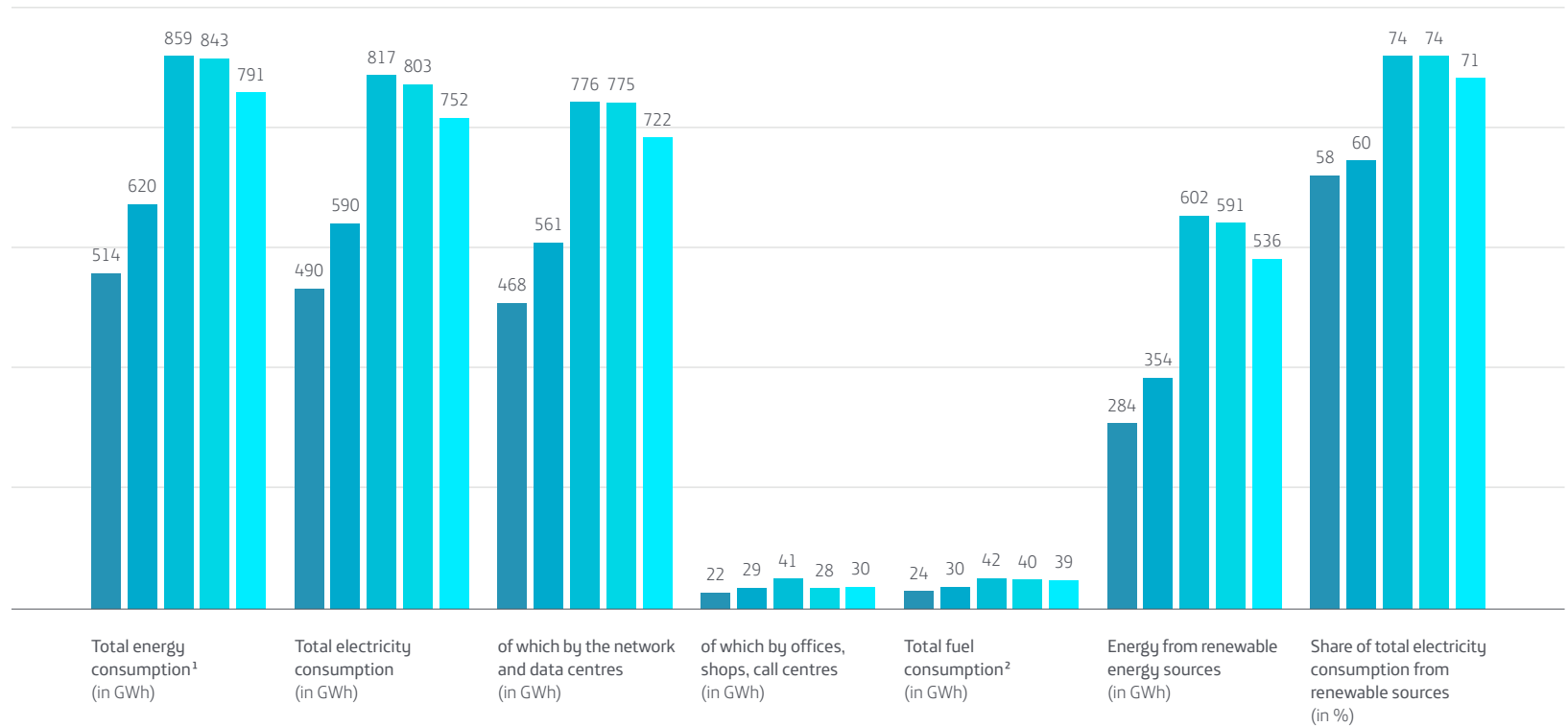
[1] Network electricity consumption equals the number of mobile-telephony and fixed line sites multiplied by an average electricity consumption figure per site. This was determined on the basis of historical consumption data.

[2] Fuel consumption (in the form of diesel, natural gas and district heating) comprises only the units provided via a direct contract between a supplier and Telefónica (72 % of data centres and office buildings, 4 % of call centres and 13 % of shops (by area in square metres)) and does not include those units that are managed via the lessor.

Management approach: Energy; GRI 302-1; 302-4

GREENHOUSE GAS EMISSIONS 2013–2017

LEGEND: 2013   2014   2015   2016   2017

Total carbon emissions (Scope 1, 2 und 3)[1] (in tCO_2 eq)[2]
- 247,145
- 292,372
- 479,196
- 443,272
- 417,061

Direct emissions (Scope 1)[3] (in tCO_2 eq)[2]
- 5,825
- 7,079
- 9,541
- 7,549
- 16,220

Indirect emissions (Scope 2) (in tCO_2 eq)[2]
- 232,776
- 281,303
- 464,313
- 430,740
- 397,303

Other indirect emissions (Scope 3)[4] (in tCO_2 eq)[2]
- 3,544
- 3,990
- 5,342
- 4,983
- 3,538

[1] Carbon emissions (incl. Scope 1 and Scope 2 as shown above) are calculated on the basis of ISO 14064, Greenhouse Gas Protocol and ITU-T L.1420. A standard Germany-wide conversion factor is used to convert electricity consumption to carbon emissions, irrespective of the fact that 71 % of this was sourced from renewable energy sources (previous year: 74 %). The Telefónica Deutschland Group uses the electricity conversion factors of the Umweltbundesamt, the Federal Environment Agency, (527 g CO_2 per kWh for 2017; 535 g CO_2 per kWh for 2016; 569 g CO_2 per kWh for 2015). This has, however, not resulted in fundamental changes in trends.

[2] CO_2 eq = CO_2, CH_4 & N_2O.

[3] The reason for the rise in our Scope 1 CO_2 emissions is a new method regarding the high estimation of the use of fluorinated greenhouse gases (F-gases).

[4] Other indirect emissions due to business travel (flights and rail travel).

Management approach: Emissions; GRI 305-1; 305-2; 305-3; 305-5

SET OF MEASURES TO ACHIEVE OUR ENVIRONMENTAL TARGETS

In the course of the merger between the Telefónica Deutschland Group and the E-Plus Group, we realised extensive measures to consolidate the network and the office locations in a sustainable way. With regard to the network, we also pressed on with an array of important energy efficiency measures that are scheduled to be completed by either 2018 or 2020. These include modernisation of the 2G and 3G networks, which we anticipate will save us 6 GWh and 1.5 GWh respectively by the end of 2018. The projects needed for this have been started but we can only come to conclusions following the project periods.

SAVINGS THANKS TO NETWORK ALTERATIONS

We expect to make savings totalling approximately 202 GWh thanks to the network consolidation which will run until the end of 2018, involving the deactivation and demolition of some 14,000 sites and the modernisation of the network infrastructure. In 2016 and 2017 the savings made on the basis of network consolidation totalled 92.65 GWh.

Further savings of 50 GWh should come from the deactivation of the DSL main distribution frames up to 2020. A reduction of 9.64 GWh was achieved in this area in 2016 and 2017.

In the area of CO_2 management and mobility, we are planning the following measures in order to achieve the goals set for 2018 and 2020: we want to provide greater incentives in a targeted and systematic way within the company to limit the number of vehicles with high CO_2 emissions and to financially foster the use of electric cars. We will review our travel guidelines with a view to avoiding travel and to promoting greater use of videoconferences and train travel rather than flying. We are also actively promoting working from home.

USING EFFICIENCY POTENTIALS IN OWN BUILDINGS

We are launching additional initiatives for climate-friendly and efficient supply of energy for the operating processes. We will, for example, in particular reduce the environmental footprints of our offices and shops. For instance, we are vacating the old building at Georg-Brauchle-Ring 23–25 in Munich and are organising the relocation of the staff to our O_2 Tower. At the headquarters there, we are implementing a modern concept of workplace sharing, which will also enable us to make more energy-efficient use of the office space there. Additionally, some of the lighting in the O_2 Tower is controlled automatically by the building management system in order to avoid unnecessary energy consumption.

We are also achieving greater energy efficiency in the area of facility management at our Düsseldorf site in the running of the data centre there, which is supplied by two combined heat and power plants. The lease agreement for this runs until 2019 and allows us to continue to make an effective contribution to an improved energy and climate footprint.

The Telefónica Deutschland Group's central logistics site for mobile telecommunications hardware in Harsewinkel is run entirely on renewable energy. The warehouses there use geothermal power to heat water and for heating and air conditioning, while a new photovoltaic system is used to supply solar power.

Our Teltow site is partly equipped with sensor-controlled workplace lighting, a solution which is especially efficient in energy terms as well as user-friendly.

ENVIRONMENTALLY FRIENDLY POSTAGE

We have been participating in Deutsche Post DHL's GoGreen programme since 2013. This offsets the CO_2 emissions caused when documents are dispatched from the customer service centres. In 2017 1,119.23 t CO_2eq were offset in this way (including the performance indicator for the compensation of CO_2 emissions).

Management approaches: Energy; Emissions; GRI 302-4; GRI 302-5

RESPONSIBLE USE OF RESOURCES

COMMITMENT

In the years leading up to and including 2020 we will annually implement at least one further relevant measure for protecting resources in our structures and processes.

Conserving valuable resources and handling waste responsibly are an integral part of our environmental and energy policies.

PAPER CONSUMPTION FURTHER REDUCED

We further optimised our processes in 2017 and made use of the opportunities offered by digital-isation to make our communication and work methods as paperless as possible. Messages and documents are sent online and the employees' payslips are made available to them digitally. Our workplace concept also promotes the increased use of digital tools. In filing documents digitally,

our employees can make a significant contribution to conserving paper as a resource.

We will also gradually design our customer service to conserve more paper as part of our digital service strategy. For example, we aim to have increased the proportion of online invoices by 2 % per annum by the end of 2018 in comparison to the 2015 reference figure of 90.4 %. In 2017 the proportion was 86.2 % (previous year: 88.5 %). This decline can be attributed to the migration of customers carried out and to an interface error in May 2017 which resulted in some of our online customers receiving paper bills. We succeeded in remedying this error in August 2017.

We also help our customers reduce their own paper consumption. They can use the ❯ My O₂ app to access all the important information regarding the subjects of contracts, usage and bills directly online. The customers are also increasingly submitting their service enquiries to us digitally, via chat or on social-media platforms.

As part of the digitalisation of the working world, we achieved a 2.9-tonne reduction in paper con-

sumption in our offices, shops and call centres in 2017, equating to a year-on-year reduction of 2.8 %.

One of the key measures in addition to reducing paper consumption continues to be the use of recycled paper with Blauer Engel (Blue Angel) certi-fication. The offices, shops and call centres of the Telefónica Deutschland Group have been using nothing but this type of paper since early 2017. Other established measures include the exclusive use of paper bags in our O₂ shops and the issuing of electronic payslips to the employees of the Telefónica Deutschland Group.
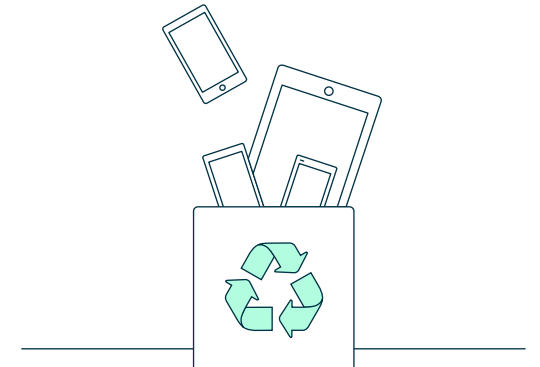
Management approach: Materials; GRI 301-3

TRANSPARENT AND EFFICIENT WASTE MANAGEMENT

Avoiding waste is a high priority for us. We also strictly observe environmental standards when disposing of unavoidable waste. This applies particularly to the dismantling of thousands of base stations in the course of the network consolidation. We have the residual materials that accumulate during this process disposed of in an environmentally sound way exclusively by certified companies. The disposal of certain materials such as metals, electronics and liquids is regulated in specific waste handling guidelines with clearly stipulated processes.

In the area of electronic hardware, we again worked with the not-for-profit company AfB (Work for People with a Disability) in 2017; AfB takes old IT equipment and either repairs and upgrades it for continued use or disposes of it professionally if it is no longer marketable. 72 % of the 29.8 tonnes of hardware logged in 2017 could be reused, while the rest was professionally recycled.

MOBILE-PHONE RECYCLING FOR AN IMPROVED ENVIRONMENTAL FOOTPRINT

The Telefónica Deutschland Group has been involved in recycling mobile phones for more than 15 years now. And since 2015 it has been working closely with Naturschutzbund Deutschland (Germany's Nature and Biodiversity Conservation Union (NABU)) and the not-for-profit organisation AfB in this area. There are now three full-time employees at AfB, two of which with disabilities, who are responsible for executing our mobile-phone recycling programme.

The consumers can dispose of their old devices responsibly with this programme (for more information, go to 〉 www.telefonica.de/handyrecycling). AfB uses a certified process to wipe the data from fully functional devices and prepares them for re-marketing, if possible. This saves emissions, metals and energy compared with the production of new devices. All the remaining devices are mechanically destroyed and sent to a smelting works in Europe for the resources to be salvaged. The processes related to the disposal of old devices are subject to annual monitoring.

We make a contribution to NABU for every mobile phone collected; this goes towards restoration of the lower Havel, the largest river restoration project in central Europe. The mobile-phone recycling programme received valuable support in 2017 with collection boxes being placed in REWE supermarkets in five of Germany's federal states. To make even more people aware of mobile-phone recycling, we launched a collection competition together with the programme partners, which saw schools and associations collect more than 5,000 devices. AfB and NABU were also able to boost their collections from business customers as part of the programme. Collection initiatives were also launched at the Umweltbundesamt (Federal Environment Agency (UBA)) and in cooperation with committed members of the ÖKOPROFIT club in Wiesbaden.

NEW HIGH FOR COLLECTED DEVICES

Altogether 76,046 old mobile phones were collected in the mobile-phone recycling programme in 2017 – that is 22 % more than in the previous year. 69,844 of them were recycled and 6,202 were re-marketed. This resulted in the sum of EUR 93,691 from the proceeds being donated to NABU. We collected an additional 4,113 used end devices for reuse outside of the mobile-phone recycling programme. The total number of old mobile phones collected was therefore 80,159.

Together with AfB and NABU, the Telefónica Deutschland Group was actively involved in developing a certification system for mobile-phone return systems that entailed the awarding of the Blauer Engel (Blue Angel) ecolabel and backed this process in expert hearings with Federal Environment Agency.

ECO INDEX: SUSTAINABILITY BALANCE FOR MOBILE PHONES

O₂ mobile-phone customers can learn more about the influence their mobile phones have on the environment and society via the 〉 Eco Index. This provides information about, among other things, energy consumption, CO₂ emissions, means of disposal, social standards within production and raw materials. At the end of 2017 95.35 % of our current portfolio of smartphones and feature phones whose manufacturers participated in the environmental ranking by answering a set of questions was covered by the Eco Index.

Management approach: Materials; GRI 301-3

MOBILE COMMUNICATION AND HEALTH

In the interests of our customers' health, we are committed to observing the limits applicable to mobile phones and mobile-phone network base stations, and we provide transparent information regarding their electromagnetic attributes. This is part of the voluntary commitment we made to the federal government in 2001, the fulfilment of which is continuously verified on the basis of external reports.

We likewise comply with the legal requirements and limits with regard to network maintenance and conversion to the LTE standard, as confirmed by the corresponding approvals granted by the relevant authorities. In the first half of 2017 alone, we were awarded 4,314[1] new site certificates or site certificates updated following conversion work by the ⟩ Bundesnetzagentur (Germany's Federal Network Agency (BNetzA)). The local authorities are especially important partners when it comes to establishing and expanding our telecommunications infrastructure. And we continue to consolidate our cooperation with them, for example with the 2016 extension of the Mobilfunkpakt Bayern (Bavarian Mobile Phone Pact) involving the implementation of the funding programme for mobile telecommunications measurements and forecast calculations.

We also make use of the close exchange of best practice within the Telefónica, S.A. Group and benefit from the Group's involvement in international as-

sociations, institutions and research networks in the area of electromagnetic-field analysis. To make knowledge transfer in this area easier, regular training measures and workshops are held within the Group at which experts and scientists report on the latest developments and findings relating to health protection when it comes to mobile telecommunications.

BROAD KNOWLEDGE BASE IN THE AREA OF ELECTROMAGNETIC FIELDS

The MOBI-KIDS study supported by us has looked at whether communication technologies and other environmental influences represent a risk factor for the development of brain tumours in children and adolescents. The study, for which we supplied mobile telecommunications data, is being conducted by the Ludwig-Maximilians-Universität München (LMU Munich) and is financed among others by the Bundesamt für Strahlenschutz (Germany's Federal Office for Radiation Protection (BfS)) and the European Commission. The data collection stage has now finished and the study results are scheduled for publication in 2018.

The Telefónica Deutschland Group is also part of an industry network that runs the website

⟩ www.informationszentrum-mobilfunk.de, which covers consumer protection subjects and the embedding of mobile telecommunications technology developments in society. When analysing the effects of mobile phones on people, we consider the SAR value, which measures the maximum energy absorbed by people when using a mobile phone. The European Union has set an SAR limit of 2 W/kg for calls. This limit must be observed pursuant to the EN 50360 and EN 50361 standards. The SAR values of mobile phones are generally significantly below the permissible limits anyway as the devices regulate their transmission power automatically and reduce it when necessary. Our customers can determine their mobile phones' SAR values and learn about health protection in our shops and at www.o2.de.

[1] The figure for 2017 refers solely to the first half-year; data for the second half-year were not available at the copy deadline.

Management approach: Customer health and safety; GRI 416-1

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FACTS & FIGURES

OVERVIEW OF KEY FIGURES

We measure our CR performance based on key figures and present these in the following tables. The key figures are for the Telefónica Deutschland Group and refer to the financial year 2016 or 2017. For the sake of clarity, the key figures are grouped together under different topics.

ECONOMIC KEY FIGURES	UNIT	2016	2017
KEY FINANCIAL PERFORMANCE INDICATORS			
Revenues	Euros in millions	7,503	7,296
Revenues from mobile-telecommunications services	Euros in millions	5,437	5,287[1]
Operating income before depreciation and amortisation (OIBDA) adjusted for special items[2]	Euros in millions	1,793	1,840
Capital expenditure (Capex) Including additions from capitalised finance leases and not including capitalised borrowing costs for spectrum investments.	Euros in millions	1,102	950
OTHER FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS			
Free cash flow before dividend and spectrum payments Free cash flow before dividend and spectrum payments is defined as the sum of cash flow from operating activities and cash flow from investing activities and was calculated minus the interest payments made in relation to spectrum investments.	Euros in millions	1,408 (this performance indicator includes profit from the sale of the company's passive radio mast infrastructure to Telxius S.A.)	680
Net gearing Gearing is defined as net financial debt divided by the last twelve months' OIBDA adjusted for special items (31 December 2017: EUR 1,840 million, 31 December 2016: EUR 1,805 million).	As at 31 December 2017	0.4x	0.6x

[1] The fall includes regulatory effects from the reduction of termination charges and the European roaming directive in the amount of EUR 146 million.

[2] As of 31 December 2017, exceptional effects include restructuring expenses of EUR 82 million, acquisition-related consultancy fees of EUR 2 million and income from the sale of assets amounting to EUR 28 million. As at December 2016, exceptional effects include restructuring expenses of EUR 89 million and the net gain on the sale of passive tower infrastructure to Telxius in the amount of EUR 352 million. For comparative purposes, a comparative value for financial year 2016, was calculated for OIBDA adjusted for exceptional effects, which includes the operating lease-related effects from the sale of Telefónica Deutschland's passive tower infrastructure in April 2016 as if it had occurred on 1 January 2016.

GRI 102-48; 201-1

ECONOMIC KEY FIGURES

	UNIT	2016	2017
OTHER FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS			
Net new connections, mobile prepaid business	In thousands	−195	− 1,903 (this performance indicator includes a technical adjustment of the connections by 1.2 million)
Net new connections, mobile postpaid business	In thousands	1,453	737
Customer satisfaction	Index	7.22	7.18
Employee satisfaction Result for work climate and commitment in the annual employee survey	%	61	67
OTHER PERFORMANCE INDICATORS			
Payments to employees – personnel expenses Wages and salaries, social security, retirement provision, restructuring expenses	Euros in millions	646	642
Investment in research and development	Euros in millions	207	266
Sites with certificates for quality (DIN EN ISO 9001), the environment (DIN EN ISO 14001) and, since 2016, energy (DIN EN ISO 50001)	%	100	100
Customers: total number of connections	In thousands	49,346	47,604
Customers: mobile connections	In thousands	44,321	43,155

SUPPLY CHAIN

The 2016 supply chain data in the CR Report 2016 was brought into line with the global basis of calculation. The figures here and in the report comprise the volume and number of orders placed by the Telefónica Deutschland Group, which were processed by Telefónica Global Services GmbH (TGS). The figures include all the orders up to 31 December of the financial year in question, irrespective of their processing date. The adjusted figures in previous reports were subject to calculation with effects on all the budget years. All the latest ACM (purchasing tool – ACM is used to manage the purchasing processes) data is taken into account. There are also defined procurement processes handled directly by the specialist departments without the involvement of TGS. In 2017 orders totalled approximately EUR 1.2 billion.

	UNIT	2016	2017
Purchasing volume	Euros in millions	3,488	3,334
of which volume with suppliers in Germany	Euros in millions	2,456	2,249
Suppliers	Number	992	888
of which suppliers in Germany	Number	633	617
Proportion of domestic suppliers	%	63	69
Proportion of volume of domestic suppliers	%	70	67
Proportion of new suppliers assessed with regard to environmental criteria, working conditions and human rights	%	100	100
Number of supplier assessments (SUMA)	Number	43	56

GRI 102-9; 102-48; 201-1; 204-1; 308-1; 414-1

COMPLIANCE	UNIT	2016	2017
Proportion of employees given training in the Business Principles Proportion based on number of Telefónica Germany GmbH & Co. OHG employees not including employees on leave and excluding external consultants (staff count: 6,872, previous year: 5,515) The 5,396 units of training completed between 1 January 2015 and 31 December 2017 are included in the calculation, as the training cycle lasts three years.	%	82.8	78.5
Total number of cases of corruption Confirmed suspected cases that led to measures related to labour law or sanctions	Number	0	0
Incidences of discrimination, violation of the Business Principles, investigations into Telefónica Deutschland relating to unfair competition or complaints regarding environmental impacts	Number	2	0
Justified objections to advertising conduct	Number	9	5
Benefits for political parties	Euros	0	0
Sets of proceedings initiated on the basis of data protection violations (Section 109a German Telecommunications Act [TKG])	Number	4	1
Sanctions in the form of fines as a result of data protection violations in the current year	Number	1	0
Security breaches subject to reporting obligations and incidents relating to information and network security	Number	8	9
Sanctions in the form of fines paid in connection with security violations or other incidents relating to network security	Number	0	0

SOCIETY	UNIT	2016	2017
Donations to not-for-profit projects The figures do not include the monetary value of time donated and donations in kind in the amount of EUR 69,600 (previous year: EUR 18,438).	Euros	423,175	426,934
Participants in the corporate volunteering programme (employees) Due to the different legal entities Telefónica Germany GmbH & Co. OHG and E-Plus Mobilfunk GmbH following the merger, it was possible to apply the volunteering concept to both companies in 2017.	Number	127	290
Time donated The sum in euros is derived from the voluntary work performed by employees multiplied by eight hours per social day and at an hourly rate of EUR 30.	Euros	18,438	69,600
Participants in Think Big (young people)	Number	20,453	9,927
Participants in Digital Mobil im Alter – Tablets für Senioren (Digitally mobile in Old Age – Tablets for Senior Citizens)	Number	1,249	2,795

GRI 102-48; 205-2; 205-3; 307-1; 406-1; 415-1; 417-3; 418-1

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EMPLOYEES

EMPLOYEES	UNIT	2016	2017
Total number of employees (PIP) not including inactive employees at the reporting date of 31 December Unless otherwise indicated, the figures presented here and in the report comprise both salaried and temporary employees at the reporting date, 31 December. The difference compared with the figure of 9,281 (9,476 the previous year) employees as published in the Annual Report 2017 relates to inactive employees who are not taken into account in sustainability reporting. There is no need for a regional breakdown of the key employee figures as Telefónica Deutschland Group staff are only employed in Germany.	Number People in place (PIP)	8,843	8,665
Total employees (FTE)	Number Full-time equiva-lent (FTE)	8,385	8,224
Part-time employees	Number of people in place (PIP)	1,539	1,512
Full-time employees	Number of people in place (PIP)	7,304	7,153
Salaried employees with an open-ended contract Not including working students, degree candidates and interns but including temporary staff and trainees; not including TGR (Telefónica Global Roaming) and TGS (Telefónica Global Services).	Number of people in place (PIP)	8,096	7,683
Temporary employees	Number	747	982
Telecommuters	Number	332	302
Employees to whom collective wage agreements apply	Number	6,638	7,037
Share of employees to whom collective wage agreements apply	%	around 75	around 81
Employees with disabilities	Number	234	251
Trainees	Number	83	81
Nationalities of employees	Number	74	73
Women in the workforce	Number	3,417	3,329
Share of women in the workforce	%	38.6	38.4
Total number of senior managers (incl. Management Board)	Number	62	57
Women in senior management (incl. Management Board)	Number	10	8
Proportion of women in senior management (incl. Management Board)	%	16	14
Employees with disabilities in senior management	Number	2	0
Nationalities in senior management	Number	4	3
Female members of the Management Board	Number	1	2
Female members of the Management Board	%	33	25

GRI 102-8; 102-41; 102-48; 405-1

EMPLOYEES

EMPLOYEES	UNIT	2016	2017
Total difference in salaries for men and women: percentage of women's average target salary compared with average for men (senior management, middle management, rest of the workforce)	%	77	76
Difference in salaries for men and women in senior management: percentage of women's average target salary compared with average for men	%	97	103
Difference in salaries for men and women in middle management: percentage of women's average target salary compared with average for men	%	78	81
Difference in salaries for men and women in the rest of the workforce: percentage of women's average target salary compared with average for men	%	78	80
Average age of employees Detailed list by age and gender on p. 26	Years old	39.7	40.0
Average length of service	Years	8.6	8.8
Total expenditure on employee training and professional development	Euros in millions	7.0	6.3
Response rate for annual employee survey	%	65	68
Staff turnover	Number	1,537	1,509
Staff turnover The figures comprise salaried employees and staff on temporary contracts who left between 31 December 2016 and 30 December 2017. The difference compared with the figure of 17.4 % in 2017 (17.9 % the previous year) as published in the Annual Report relates to inactive employees who are not taken into account in sustainability reporting.	%	17.8	17.2
of which female employees aged < 30	Number (%)	163 (10.6)	179 (11.9)
of which male employees aged < 30	Number (%)	192 (12.5)	277 (18.4)
of which female employees aged 30–34	Number (%)	94 (6.1)	91 (6.0)
of which male employees aged 30–34	Number (%)	127 (8.3)	153 (10.1)
of which female employees aged 35–44	Number (%)	220 (14.3)	208 (13.8)
of which male employees aged 35–44	Number (%)	329 (21.4)	246 (16.3)
of which female employees aged 45–54	Number (%)	96 (6.2)	91 (6.0)
of which male employees aged 45–54	Number (%)	220 (14.3)	165 (10.9)
of which female employees aged > 54	Number (%)	36 (2.3)	39 (2.6)
of which male employees aged > 54	Number (%)	60 (3.9)	60 (4.0)
New employees All new entries between 1 January and 31 December 2017 are taken into account for the financial year 2017.	Number	1,554	1,303
of which female employees aged < 30	Number (%)	336 (21.6)	262 (20.1)
of which male employees aged < 30	Number (%)	415 (26.7)	350 (26.9)
of which female employees aged 30–34	Number (%)	151 (9.7)	89 (6.8)
of which male employees aged 30–34	Number (%)	177 (11.4)	145 (11.1)
of which female employees aged 35–44	Number (%)	119 (7.7)	87 (6.7)

GRI 102-48; 401-1; 405-2

EMPLOYEES

EMPLOYEES	UNIT	2016	2017
of which male employees aged 35–44	Number (%)	182 (11.7)	146 (11.2)
of which female employees aged 45–54	Number (%)	66 (4.2)	39 (3.0)
of which male employees aged 45–54	Number (%)	71 (4.6)	59 (4.5)
of which female employees aged > 54	Number (%)	25 (1.6)	33 (2.5)
of which male employees aged > 54	Number (%)	12 (0.8)	93 (7.1)
Share of new employees among the whole staff	%	18.0	14.8
Voluntary exits (voluntary rotation index)	%	4.9	6.0
Employees who have taken parental leave (men/women) Women with multiple entries were counted as one instance of parental leave in each case, men with two entries were classed as one instance of parental leave, and decisions were made on a case-by-case basis regarding more than two entries for men. Part-time employees on parental leave are classed as active employees.	Number	752 (228 men, 524 women)	685 (197 men, 488 women)
Employees who returned to work after parental leave Details were altered slightly in comparison to the CR Report 2015 due to changed data collection and data definitions. This has, however, not resulted in fundamental changes in trends.	Number	408 (196 men, 212 women)	350 (166 men, 184 women)
Percentage of employees who returned to work following parental leave	%	93 (96 % men, 91 % women)	92 (95 % men, 89 % women)
Employees who returned to work after parental leave and who were still in their jobs twelve months after returning The figures comprise those employees who returned from parental leave the previous year and who were still employed by the company 12 months after returning.	Number	340 (176 men, 164 women)	355 (184 men, 171 women)
Percentage of employees who stay in job following parental leave	%	77 (88 % men, 68 % women)	92 (95 % men, 88 % women)

HEALTH PROTECTION AND OCCUPATIONAL SAFETY

HEALTH PROTECTION AND OCCUPATIONAL SAFETY	UNIT	2016	2017
Absenteeism rate (Number of lost days resulting from workplace accidents and other illnesses/total number of workdays in year) × 100	%	5.6 (4.7 % men, 7.1 % women)	5.7 (4.7 % men, 7.4 % women)
Lost days recorded due to any form of incapacity to work	Number	120,437 (62,347 men, 58,090 women)	125,570 (63,106 men, 62,464 women)
Accident rate (Number of workplace accidents/total number of working hours in year) × 200,000	Rate	0.19 (0.22 men, 0.12 women)	0.83 (0.89 men, 0.74 women)
Number of workplace accidents resulting in lost days[1]	Number	16 (4 men, 12 women)	73 (48 men, 25 women)

[1] It is assumed that the number of accidents did not rise significantly in 2017; the increase is put down to a rise in employee awareness as regards reporting accidents.

GRI 102-48; 401-1; 401-3; 403-2

EMPLOYEES	UNIT	2016	2017
HEALTH PROTECTION AND OCCUPATIONAL SAFETY			
Rate of lost days due to workplace accidents (Lost days resulting from workplace accidents/total number of working hours in year) × 200,000	Rate	1.77 (2.41 men, 0.73 women)	9.56 (12.28 men, 5.24 women)
Lost days recorded due to workplace accidents	Number	153 (129 men, 24 women)	840 (662 men, 178 women)
Number of work-related illnesses	Number	0	0
Mortalities	Number	0	0
Occupational health and safety committees (occupational safety committee meetings and health forums) The high number of occupational safety committee meetings held in 2017 can be attributed to the works councils requiring that the meetings be held no longer exclusively at the company level, but also at the level of the regional works councils (German Works Constitution Act [BetrVG]). This resulted in an increase from four such meetings in 2016 to 28 in 2017.	Number	21	62
Hours of training in health protection and occupational safety	Number	4,103	4,505
Medical examinations performed	Number	244	538

ENVIRONMENT	UNIT	2016	2017
ENERGY AND CARBON EMISSIONS			
Total energy consumption Detailed list on p. 57.	GWh	843	791
Total electricity consumption The figure for electricity consumption equals the volumes actually billed per electricity consumption point in 2017 and, in some cases, forecasts of the volumes consumed.	GWh	803	752
of which by the network and data centres	GWh	775	722
of which by offices, shops, call centres	GWh	28	30
Proportion of electricity consumption relating to renewable energies Network efficiency improvements meant energy consumption could be reduced in 2017. As the electricity is sourced from renewable energies in this area, the percentage of green electricity used fell slightly overall in the year under review.	%	74	71
Total fuel consumption Fuel consumption (in the form of diesel, natural gas and district heating) comprises the units provided via a direct contract between a supplier and Telefónica.	GWh	40	39
Energy from renewable energy sources	GWh	591	536
Energy intensity The energy intensity equals the total energy consumption divided by the data volume in petabytes.	GWh/PB	0.30	0.25

GRI 102-48; 302-1; 302-3; 403-2

ENVIRONMENT	UNIT	2016	2017
ENERGY AND CARBON EMISSIONS			
Total CO_2 emissions (Scopes 1, 2 and 3) – location-based method (market-based method) Carbon emissions (including Scope 1 and Scope 2 as shown on the chart on p. 58) are calculated on the basis of ISO 14064, the Greenhouse Gas Protocol and ITU-T L.1420. A standard Germany-wide conversion factor is used to convert electricity consumption to carbon emissions, irrespective of the fact that 71 % of this was sourced from renewable energy sources (previous year: 74 %). The Telefónica Deutschland Group uses the electricity conversion factors of the Umweltbundesamt (Federal Environment Agency (UBA)), (527 g CO_2 per kWh for 2017; 535 g CO_2 per kWh for 2016; 569 g CO_2 per kWh for 2015). This has, however, not resulted in fundamental changes in trends.	tCO_2eq ($CO_2eq = CO_2$, CH_4 and N_2O)	443,272	417,061 (177,263)
Direct emissions (Scope 1) with refrigerant emissions The increase in our Scope 1 CO_2 emissions is due to a new method used to extrapolate our use of fluorinated greenhouse gases (F-gases).	tCO_2eq	7,549	16,220
Indirect emissions (Scope 2) (location-based method)	tCO_2eq	430,740	397,303
Indirect emissions (Scope 2) (market-based method)	tCO_2eq	---	157,505
Other indirect emissions (Scope 3) Other indirect emissions due to business travel (flights and rail travel)	tCO_2eq	4,983	3,538
Emissions avoided	tCO_2eq	315,738	282,354
Greenhouse gas intensity The greenhouse gas intensity equals the total carbon emissions (Scope 1, 2 and 3) divided by the data volume in petabytes.	tCO_2eq/PB	211.1	129.8
Total number of mobile-communication locations The number of locations contains only locations without directional-radio connections (directional-radio repeaters), BSC (base station controllers)/RNC (radio network controllers).	Number	Around 35,000	Around 32,000
Locations in nature reserves	Number	80	89
Locations shared with other network operators	Number	4,924	6,719
Inspection of electromagnetic fields to guarantee the limits are not exceeded The figure for 2017 refers solely to the first half-year; data for the second half-year were not available at the copy deadline. The figure for 2016 deviates from the figure reported in the last CR Report as this was partly based on projections and real figures became available in the meantime.	Number	6,845	4,314
Investments in and expenditure on the inspection to guarantee the limits are not exceeded The figure for 2017 refers solely to the first half-year. A new fee ordinance (EMVG-FuAG-BGebV) issued by Germany's Federal Ministry for Economic Affairs and Energy (BMWi) came into force in 2017. The method of calculating fees is being changed completely to the extent that due to necessary IT adjustments, it has so far not been possible to issue notification of any fees according to the new ordinance. We are therefore unable to estimate how high the fees will be for the second half of 2017. The figure for 2016 deviates from the figure reported in the last CR Report as this was partly based on projections and real figures became available in the meantime.	Euros	6,911,925	4,323,649
WATER			
Water consumption The water consumption data is partly based on projections.	m^3	72,374	87,156

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GRI 102-48; 305-1; 305-2; 305-3; 305-4

ENVIRONMENT	UNIT	2016	2017
ENVIRONMENTAL MANAGEMENT			
Expenditure on and investments in environmental protection Expenditures and investments are made up of the following: expenses for waste management, costs of environmental tax, insurance and environmental audits, investment in reducing visual impact and noise, membership in environmental protection organisations, donations and licence fees (e. g. mobile-phone recycling).	Euros	304,179	340,072
MATERIAL CONSUMPTION/WASTE MANAGEMENT			
Total paper consumption	t	640.2	562.6
Paper consumption (offices, shops, call centres) 100 % recycled paper with Blauer Engel (Blue Angel) certification	t	102.5	99.61
Paper consumed for customer contact (letters, envelopes, invoices)	t	537.7	463
Total waste	t	1,837.0	1,761.9
Electrical and electronic equipment waste from network operation and offices (e. g. antennae, outdated hardware, routers)	t	304.8	403.0
of which electronics and electronic equipment waste from network operation and offices (recycled)	t	60.4	29.8
of which mobile phones from customers — Recycled mobile phones from customers — Customers' mobile phones sent in for reprocessing	t	13.9 6.2 7.6	9.4 8.1 1.3
of which electrical and electronic equipment waste from customers without mobile phones (100 % recycling/reuse)	t	230.5	363.8
Waste from non-electrical/non-electronic equipment	t	1,532.3	1,875.0
of which paper and card waste (100 % recycled)[1]	t	15.4	119.4
of which cables, pipes and metals (100 % recycled)	t	1,436.9	1,681.4
of which batteries	t	79.7 (96 % recycled)	74.2 (100 % recycled)
of which used lighting (100 % disposal) Owing to the low volume, faulty lighting materials were collected at decentralised points in 2017 and were not due to be recycled until 2018.	t	0.3	0
Number of old mobile phones collected The number of mobile phones collected includes mobile phones which are brought into the recycling process and refurbished in the reuse process. 69,844 (previous year: 51,145) used mobile phones were recycled and 6,202 (previous year: 11,216) were refurbished within the mobile-phone recycling programme. An additional 4,113 used end devices (previous year: 55,703) were collected for reuse from customers through other return channels.	Number	118,064	80,159
Contributions made for old mobile phones collected For the old mobile phones collected in the mobile-phone recycling programme, the Telefónica Deutschland Group makes a contribution to Naturschutzbund Deutschland e. V. (Nature and Biodiversity Conservation Union (NABU)) for nature conservation projects.	Euros	70,726	93,691
Eco Index-rated mobile phones Number of devices in the Telefónica Deutschland Group's current portfolio of smartphones and feature phones (no retailers) that feature an Eco Index rating.	%	91.9	95.4

[1]As waste containing paper is not weighed when collected but rather only volumes and the number of waste containers are recorded, for 2017 a more conservative estimate was made for the recycling volume than in previous years. It is not possible to correct the data for 2016 due to missing information.

GRI 102-48; 301-3

CR-RELEVANT AWARDS RECEIVED IN 2017

FIRST PLACE IN THE GERMAN AWARDS FOR EXCELLENCE 2017

Telefónica Deutschland came first in the sustainability innovation category in this year's German Awards for Excellence. With this award, the Frankfurt-based audit and certification company DQS recognised a pilot project to improve air quality in Nuremberg run by Telefónica NEXT and its partners. The project involved anonymised mobile telecommuncations data being processed to analyse traffic flows and contribute to traffic planning.

GERMAN INVESTOR RELATIONS AWARD FOR TELEFÓNICA DEUTSCHLAND

Telefónica Deutschland's Investor Relations department won the German Investor Relations Award for the third time in a row in 2017. This annual award recognises special achievements in the area of investor relations among the 30 companies in Germany's TecDAX index. In addition, the new CEO Markus Haas was ranked 16th out of 148.

TELEFÓNICA DEUTSCHLAND NAMED WINNER OF THE FIRST WOMEN-ON-BOARD-AWARD

FidAR e. V., an initiative that advocates more women being appointed to supervisory boards, recognised Telefónica Deutschland with the first ever Women-on-Board-Award. The company was named "best performer" this year thanks to its balanced ratios of men to women on the Management Board and Supervisory Board and at other management levels.

O₂ NAMED BEST MOBILE-NETWORK OPERATOR FOR FREQUENT CALLERS

The top mobile-network operators were recognised by the magazine WirtschaftsWoche for the second time in 2017. O₂ came out on top in terms of value for money for private customers who make a lot of calls and was also classified as "very good" in the "Onliner" category. The evaluation was based on a market analysis conducted by the Deutsches Kundeninstitut (DKI), which examined tariffs and the service providers from the perspective of various consumer categories.

GERMAN FAIRNESS AWARD 2017 FOR ALDI TALK AND BLAU

The German Fairness Award is presented annually on the basis of a nationwide customer survey commissioned by the news channel n-tv. As was also the case the previous year, the partner brand ALDI TALK was named the overall winner of the German Fairness Award 2017. The Telefónica Deutschland brand Blau came third, giving it its third success in as many years. Brands were evaluated in the three areas of value for money, transparency and reliability.

FIRST PLACE FOR THE IOT SMART CENTER PLATFORM IN THE FUNKSCHAU READERS' CHOICE

Telefónica Deutschland's IoT Smart Center platform was ranked first in the category "M2M Services/Platforms" in this year's Funkschau readers' choice. The platform offers business customers an efficient tool they can use to manage data communication between various devices and machines and consolidate it in a Web interface.

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CR-RELEVANT AWARDS RECEIVED IN 2017

EMEA SABRE AWARD IN THE TELECOMMUNICATIONS CATEGORY

Telefónica Deutschland won the 2017 EMEA SABRE Award in the telecommunications category for its campaign "Empowering the people through debate on digitalisation". In particular, the award recognised the company's commitment to public debate regarding digitalisation at the Telefónica BASECAMP.

BEST MOBILE BANKING IN THE BANKINGCHECK AWARDS 2017

The O_2 Banking app was ranked first in the mobile-banking category in the BankingCheck Awards 2017 bestowed by the online ranking website BankingCheck.de, scoring 4.9 out of a possible 5.0 points. In particular, the score took into account free use and the ongoing integration of customers in the app development.

SECOND PLACE FOR O_2 SHOPS IN CONNECT SERVICE TEST

Telefónica Deutschland's O_2 shops were ranked second in this year's service test conducted by the specialist magazine connect. An overall rating of "good" was achieved, marking a significant improvement compared with the previous year. Particular credit was given to the expert and customer-oriented advice offered by the O_2 Gurus.

These awards and others can be found in the overview on our ⟩ website.

1.0   Introductory Part

2.0   Corporate
       Responsibility
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3.0   Responsible Business

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SELECTED MEMBERSHIPS AND PARTNERSHIPS

Our memberships are selected on the basis of clear rules and targets. Memberships should support our business activities and serve as the parameters within which we can generate added value for society. It is also especially important to us that we promote dialogue on economic and societal issues within the industry. We continue to participate in initiatives that strengthen responsible business. Below is a selection of our memberships and partnerships with not-for-profit organisations.

MEMBERSHIP/PARTNERSHIP	SINCE	TARGET	WEBSITE
AfB gGmbH (Work for People with a Disability)	2013	The old IT hardware of major enterprises and public institutions is recycled (including the deletion of any data) and put back into the market; at least 50 % of the workforce is made up of people with a disability.	› www.afb-group.eu
AmCham – American Chamber of Commerce in Germany e. V.	2010	Corporate network for global business development and for a German-American partnership	› www.amcham.de
B.A.U.M. e. V. – Bundesdeutscher Arbeitskreis für Umweltbewusstes Management (German Environmental Management Association)	2011	Membership of the largest corporate network for sustainable business	› www.baumev.de
BITKOM – Bundesverband Informationswirtschaft, Telekommuni-kation und neue Medien e. V. (Federal Association for Information Technology, Telecommunications and New Media)	2001	Membership alongside other companies from the IT, telecommunications and new media industries; active participation, among other things, in working groups looking at the issues of data protection, media policy and occupational safety	› www.bitkom.org
BREKO Bundesverband Breitbandkommunikation e. V. (German Association of Broadband Communications)	2005	Membership alongside other companies from the IT and telecommunications industries; active participation in various working groups	› www.brekoverband.de
Bundesverband Deutsche Startups e. V. (German Startups Association)	2012	Support for the German start-up scene	› www.deutschestartups.org
Clean Power Net	2010	Germany-wide and cross-industry amalgamation of companies all along the value chain with the aim of realising climate-friendly, more efficient and therefore more intelligent energy supply for industrial users	› www.cleanpowernet.de
DIRK – Deutscher Investor Relations Verband e. V. (German Investor Relations Association)	2014	Europe's largest professional association for promoting dialogue between companies and capital markets	› www.dirk.org
DKJS – Deutsche Kinder- und Jugendstiftung gGmbH (German Children and Youth Foundation)	2004	Commitment to the successful education and participation in society of young people in Germany	› www.dkjs.de
eco – (Association of the Internet Industry)	2002	Companies from the IT and telecommunications industries in the largest Internet industry association in Europe for future Internet topics	› www.eco.de

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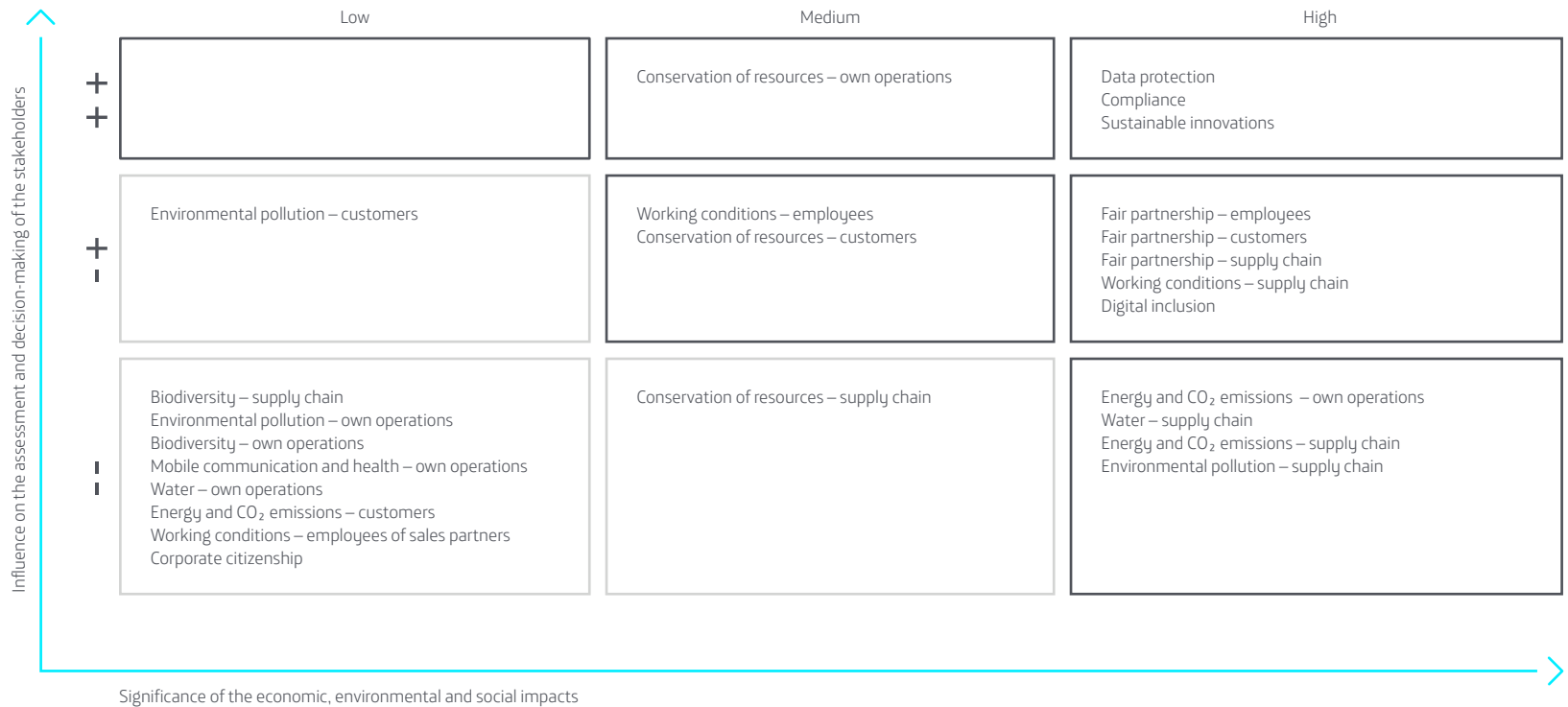| MEMBERSHIP/PARTNERSHIP	SINCE	TARGET	WEBSITE
Europäische Bewegung Deutschland e. V. (European Movement Germany)	2008	Network for European policy in Germany	> www.netzwerk-ebd.de
Freiwillige Selbstkontrolle Multimedia-Diensteanbieter (Voluntary Self-Monitoring of Multimedia Service Providers (FSM e. V.))	2005	Promotion of the protection of young people (e. g. code of conduct for mobile-network operators in Germany for the protection of young people)	> www.fsm.de
GSM Association	2008	Global industrial body representing the interests of GSM mobile-network operators	> www.gsma.com
International Telecommunication Union (ITU)	2006	International cooperation of governments and the private sector for the spread of information and communication technologies (ICT)	> www.itu.int
Klimapakt Münchner Wirtschaft (Munich Business Climate Pact)	2016	Major enterprises based in Munich have committed to voluntarily reducing their carbon emissions	> www.muenchen.de/rathaus/wirtschaft/nachhaltig-oeko/klima-pakt-muenchner-wirt-schaft.html
MÜNCHNER KREIS (MUNICH CIRCLE)	2003	Independent platform providing orientation for those shaping the digital world and making decisions that affect it	> www.muenchner-kreis.de
NABU – Naturschutzbund Deutschland e. V. (Nature and Biodiversity Conservation Union)	2015	Commitment to people and nature with numerous projects to protect species, the environment and nature in Germany	> www.nabu.de
Stiftung Digitale Chancen (Digital Opportunities Foundation)	2010	Commitment to getting more people interested in the opportunities provided by the Internet and supporting people in using it. The goal is to counteract the exclusion of disadvantaged sections of the population from the development of the information society.	> www.digitale-chancen.de
Umweltpakt Bayern (Bavarian Environmental Pact)	1995	Voluntary agreement between the Bavarian State Government and Bavarian industry on environmental protection	> www.umweltpakt.bayern.de
UPJ e. V. – Unternehmen als Partner der Jugend (Companies as a Partner of Young People)	2005	Network connecting companies and civil society regarding corporate social responsibility	> www.upj.de
VATM – Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e. V. (Association of Telecommunications and Value-Added Service Providers)	2001	Membership alongside other companies from the IT and telecommunications industries; active participation in various working groups	> www.vatm.de
Zentrale zur Bekämpfung unlauteren Wettbewerbs e. V. (Centre for Protection against Unfair Competition)	2002	Self-regulation institution active Germany-wide for the enforcement of the law against unfair competition	> www.wettbewerbszen-trale.de

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MATERIALITY ACCORDING TO GRI

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. The stakeholder perspective and the impact we have on society are especially relevant to reporting in accordance with the GRI Standards. The resulting GRI materiality matrix taking this combined approach into account is shown below. The materiality matrix contains the results of a strategic process concerning the assessment of material CR topics that has been ongoing since 2015. A detailed description of this process can be found in subchapter 2.2 "CR Strategy" (p. 10 f.).

LEGEND: a ++ constitutes high significance for both stakeholder groups, a -- marks low significance on assessment and decision-making and a +– signals a different evaluation by internal and external stakeholders. The topics material to the Telefónica Deutschland Group have a black border in the graphic below.

	Low	Medium	High
++ / ++		Conservation of resources – own operations	Data protection Compliance Sustainable innovations
+– / +–	Environmental pollution – customers	Working conditions – employees Conservation of resources – customers	Fair partnership – employees Fair partnership – customers Fair partnership – supply chain Working conditions – supply chain Digital inclusion
–– / ––	Biodiversity – supply chain Environmental pollution – own operations Biodiversity – own operations Mobile communication and health – own operations Water – own operations Energy and CO_2 emissions – customers Working conditions – employees of sales partners Corporate citizenship	Conservation of resources – supply chain	Energy and CO_2 emissions – own operations Water – supply chain Energy and CO_2 emissions – supply chain Environmental pollution – supply chain

Influence on the assessment and decision-making of the stakeholders

Significance of the economic, environmental and social impacts

GRI 103-1 (all material topics); GRI 102-46; 102-47

CLASSIFICATION ACCORDING TO GRI

CR FOCUS AREA	FOCUS/BOUNDARIES	GRI STANDARDS
Supply chain	— Ensuring fair and respectful cooperation with companies that manufacture products or provide services for Telefónica (suppliers) — Improving working conditions in companies that manufacture products or provide services for Telefónica (suppliers) — Reduction of carbon emissions in companies that manufacture products or provide services for Telefónica (suppliers) — Reduction of water consumption in companies that manufacture products or provide services for Telefónica (suppliers)	204 – Procurement practices 308 – Supplier environmental assessment 407 – Freedom of association and collective bargaining 408 – Child labor 409 – Forced or compulsory labor 414 – Supplier social assessment
Employer	— Guaranteeing fair and respectful treatment of Telefónica employees — Improving working conditions for Telefónica employees	401 – Employment 402 – Labor/management relations 403 – Occupational health and safety 404 – Training and education 405 – Diversity and equal opportunity
Customers	— Guaranteeing fair and respectful treatment of Telefónica customers	417 – Marketing and labeling
Compliance	— Ensuring that Telefónica's employees and partners comply with all laws and regulations when dealing with each other and with customers	205 – Anti-corruption 206 – Anti-competitive behavior 307 – Environmental compliance 406 – Non-discrimination 407 – Freedom of association and collective bargaining 408 – Child labor 409 – Forced or compulsory labor 415 – Public policy 419 – Socioeconomic compliance

GRI 103-1 (all material topics); GRI 102-46; 102-47

CR FOCUS AREA	FOCUS/BOUNDARIES	GRI STANDARDS
Sustainable innovations	— Developing digital technologies and offerings that make the lives of Telefónica customers easier, safer, healthier and more environmentally friendly	201 – Economic performance 203 – Indirect economic impacts
Digital inclusion	— Ensuring physical access to digital technology and promoting digital capabilities and media literacy for relevant target groups	203 – Indirect economic impacts 413 – Local communities 416 – Customer health and safety
Data protection	— Ensuring data protection, so that sensitive data of Telefónica (e. g. customer data) is not purloined, misused or accessed	416 – Customer health and safety 417 – Marketing and labeling 418 – Customer privacy
Energy & CO_2 reduction	— Reduction of CO_2 emissions at Telefónica sites	302 – Energy 305 – Emissions
Conservation of resources	— Reduction of consumption of scarce resources at Telefónica sites and by Telefónica customers through product adaptation, recycling and reuse	301 – Materials

GRI 103-1 (all material topics); GRI 102-46; 102-47

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TARGET ATTAINMENT STATUS AT THE END OF 2017

We measure the progress of implementation of our CR strategy based on firmly defined targets that make a contribution to the three focus areas of the Responsible Business Plan 2020 and we review the status annually. The respective bars on the following pages indicate the target attainment status as at 31 December 2017. Targets ongoing until 2020 can moreover also be found in the table "CR tagets ongoing until 2020" (p. 85 ff.).
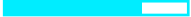
LEGEND
target attainment as
at 31 December 2017:

not attained	partly attained	mostly attained	attained

FOCUS AREA: RESPONSIBLE BUSINESS

CR TOPIC	TARGETS/MEASURES	STATUS AT 31 DECEMBER 2017
Customers	We will continuously improve our customer service according to the needs and wishes of our customers. In doing so, we will focus on: — The continuous optimisation of our service channels through various measures — The digitalisation of our service offering at o2online.de and our My O$_2$ app as well as piloting of new digital contact opportunities (e. g. messaging, chatbots)	
	We will invest consistently in our network infrastructure and while doing so orient ourselves towards the actual benefit for our customers in order to be able to provide our customers with the best network experience.	
Supply chain	Implementation of the new Supply Chain Sustainability Policy and, gradually, communication with the suppliers, which are managed via central purchasing.	
	Conformity of purchasing processes of Telefónica Global Services (TGS), the specialist departments of the Telefónica Deutschland Group, the CR department and the contact with suppliers by the end of 2020 in accordance with the new implementation guideline of the Supply Chain Sustainability Policy.	
	Continuation of risk analyses of suppliers every two years and development of a system for improving the sustainability performance of suppliers identified as posing a risk (until 2020).	
	Honouring the most sustainable suppliers together with stakeholders in 2017.	

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FOCUS AREA: RESPONSIBLE BUSINESS

CR TOPIC	TARGETS/MEASURES	STATUS AT 31 DECEMBER 2017
Employer	Implementation of an annual anonymised employee survey with a return rate of 70 % until 2020. Subsequent open dialogue within the framework of action planning by the executives that contains appropriate aids.	
	In a dynamic market environment, we will steadily optimise our corporate structure, develop management and cooperation and offer our employees flexible working models with regard to time and place: — Development of new agile forms of organisation in order to promote the interdisciplinary cooperation and quick decision paths. By 2020 at least three to five agile forms of organisation will be implemented. — Continuous consideration of what kind of management and cooperation is sensible in which situation and area and enabling the executives and employees to execute this. — Development of flexible working models with regard to time and place. By 2020 100 % of office employees will be equipped with laptops and business mobile phones.	
	Further training is to be accessible for our employees in real time and easily. By 2020 all employees will have a virtual learning hub at their disposal. Via this, they will in fewer than five clicks be able to find the opportunities for further training that are right for them.	
	Our attractiveness as an employer in the market is reflected in the numbers of external applicants.	
	We offer our employees attractive internal opportunities for developing their careers. We want to: — by 2020 fill on average at least 30 % of vacancies with internal employees — by 2020 achieve a rate of 90 % for offering trainees and dual-studies students permanent employment — in the years leading up to and including 2020 support women in their careers by achieving a participation rate of at least 16 % of eligible women in the company in Women in Leadership and the mentoring programme which goes with it	
	New definition of apprenticeship and dual-studies degree and introduction of new individual coaching and mentoring by the end of 2017.	
	In the years leading up to and including 2020 we will operate an integral health management programme to implement the targets and principles of our health policy. We will in particular introduce a sustainable target and measurement system (KPIs) for the maintenance of industrial, health and safety standards, which will be raised at least annually.	
Compliance	By the end of 2017 we will put at employees' disposal an app for their smartphones/tablets that contains important information, news and contacts regarding the subject of compliance.	
	In 2017 we will furnish all employees with instruments for qualitatively measuring compliance awareness.	
	We will continuously improve our compliance management system and in the years leading up to and including 2020 and strive for external certification in accordance with the IDW auditing standard 980.	

FOCUS AREA: STRENGTHENING LIFE IN THE DIGITAL WORLD

CR TOPIC	TARGETS/MEASURES	STATUS AT 31 DECEMBER 2017
Sustainable innovations	Digitalisation of the energy transition by 2020: we will provide the digital infrastructure for successfully networking intelligent measurement systems (smart grids/smart meters). Together with our partners, we will offer solutions which contribute to allowing more transparency regarding their energy consumption.	
	Reduction in CO_2 fleet emissions in the years leading up to and including 2020: we will offer telematics solutions, which give our customers more transparency, enabling them to keep to the statutory requirements for average CO_2 fleet emissions.[1]	
	Networked mobility in the years leading up to and including 2020: supply of analysis applications for company vehicle fleets to improve driver safety, reduce fuel consumption and lower maintenance costs.	
	Moving and environmentally friendly urban traffic by 2020: together with partners, we will specifically develop analyses on the basis of our data, which will enable, for instance, personal shuttle buses to be put on for entire cities, greenhouse gases to be controlled and flows of traffic to be planned for large events.	
	Better quality of life for senior citizens by 2020: we will develop the digital infrastructure for extended care of senior citizens by means of intelligently connected sensors and applications and put these at business partners' disposal, so more people can live independently into old age and therefore not be permanently dependent on on-site assistance.	
	Increase in general health awareness by 2020: we will offer a consumer-oriented platform for the Internet of Things that, among other things, enhances sportswear with multiple sensors and analysis programmes to go with them, so exercisers can gain an insight into their vital signs.	
	Reduction in risk of credit card misuse abroad by 2020: we will offer solutions that increase security for consumers and banks when it comes to the use of credit cards abroad by automatically informing banks of travel abroad at the card user's request.	
Digital inclusion	By the end of 2017 we will have reached 105,000 young people with Think Big since its start in 2010 and equipped them with digital and entrepreneurial skills they need to create positive social change. By the end of 2017 we will: — have inspired and engaged more than 8,400 young people across all levels — have helped to support 185 funded projects with 3,600 young people engaged — have reached and digitally inspired a further 4,800 young people	
	By the end of 2017 we will reach 2,000 elderly people throughout Germany with the "Digital Mobil im Alter – Tablets für Senioren" programme together with Stiftung Digitale Chancen (Digital Opportunities Foundation). Achieving this will ensure we contribute to senior citizens gaining access to the digital world and them putting the benefits to use in their everyday lives.	

[1] This target of reducing the CO_2 fleet emissions was merged in 2017 with the target for networked mobility. 2017 target attainment is therefore assessed in the context of the merged target.

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FOCUS AREA: STRENGTHENING LIFE IN THE DIGITAL WORLD

CR TOPIC	TARGETS/MEASURES	STATUS AT 31 DECEMBER 2017
Digital inclusion	O_2 Guru: — With the O_2 Gurus, we will provide inspiration and support to people of every age via all channels in order to make digital technologies accessible to the people and help them solve technical issues. — We will integrate information materials for children, young people and parents on the competent use of smartphones and the Internet of Things among the O_2 Gurus. This information will be directly integrated into advice and sales when customers purchase products for their children who are still minors. — O_2 Gurus and Guru workshops will be continued, kept thematically relevant and optimised in a methodically constant way.	
	In cooperation with Deutsches Kinderhilfswerk e. V. (German Children's Relief Fund), we will develop the brochure "Internetguide" and publish this in 2017.	
	Development of an engagement strategy for media protection and media literacy education in 2017.[1]	
	We will carry on being an active stakeholder in the political and public debate on youth media protection and in line with this participate in the management board of Germany's Voluntary Self-Monitoring of Multimedia Service Providers.	
Data protection	We are adapting our training concept for data security continuously to company and legal prerequisites, therefore guaranteeing compliance with the statutory provisions.	
	We are already involved in planning new products and new processes and advising the specialist departments on data-protection-relevant aspects. We are working towards the data-protection-friendly design of processes and products.	
	We are in regular and constructive dialogue with external stakeholders such as the Bundesnetzagentur (Germany's Federal Network Agency) and the German Federal Commissioner for Data Protection and Freedom of Information (BfDI).	
	We will inform people in a transparent, clear, goal-oriented and comprehensible way regarding our data processing. At the same time, we will pursue a different path to do this by the end of 2018 so as to not overburden the people affected.	
	In the area of corporate security, we will focus on the following measures in 2017 and 2018: — Implementing and optimising an information security management system (ISMS) for the merged company in line with the ISO 27001:2013 standard — Set-up of a fully functional governance structure — Optimising information security in all relevant divisions and their processes — Expanding the corporate-security emergency centre — Expanding security assessments in the Telefónica Deutschland Group	

[1] The target was moved to 2018.

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FOCUS AREA: ENVIRONMENTAL AND CLIMATE PROTECTION

CR TOPIC	TARGETS/MEASURES	STATUS AT 31 DECEMBER 2017
Energy & CO_2 reduction	Energy efficiency measures implemented in the area of the network by 2018 or 2020: — Modernisation of 2G (saving to be expected 6 GWh) and 3G (saving to be expected 1.5 GWh) networks by the end of 2018 — Site deactivation by the end of 2018 of approx. 15,000 network units within the framework of network consolidation and modernisation, saving of approx. 202 GWh. — Successive saving of approx. 50 GWh through deactivation of DSL main distributor by 2020. The savings made through energy efficiency in operating business activities (opex) should amount to 15 million euros by 2020.	
	By the end of 2020 we will have achieved the following in the area of CO_2 management and mobility: — Reduction in average fleet emissions to 95 g CO_2/km by 2020. To achieve this, we will rework the vehicle guideline of the Telefónica Deutschland Group in order to limit the number of vehicles with high CO_2 emissions and financially promote electric cars. — A 10 % reduction in CO_2 emissions arising from business travel (basis year 2015) by 2018 incl. review and development of a new travel policy. — Development and implementation of a new concept for emission-friendly travel to and from work by the end of 2018.	
Conservation of resources	We will conserve resources through the following measures: — By the end of 2017 we will have standardised the usage of recycling paper with Blauer Engel (Blue Angel) certification in the new company. We will have evaluated and implemented recycling paper in all offices and call centres of E-Plus and in all shops of the new company. — Continuous expansion of the share of online bills by 2 % annually (basis value for total e-bills share from Oct. 2015 of 90.4 %) by 2018 in order to promote more sustainable and paper-efficient behaviour.	

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CR TARGETS ONGOING UNTIL 2020

We measure and manage our CR performance on the basis of the Responsible Business Plan 2020. We assess our progress towards the achievement of the set ambitions and fulfilment of the commitments continually based on defined targets that are ongoing until 2020 which are listed in the following table.

RESPONSIBLE BUSINESS

Our ambition: We are a fair and trustworthy partner for our stakeholders. In the years leading up to and including 2020 we achieve consistently good to very good results in relevant external assessments and our stakeholder surveys.

CR TOPIC	TARGETS/MEASURES FOR 2018–2020
Customers	**Commitment** **We offer our customers the best product and service experience, the latest innovations and a modern network infrastructure. By 2020 we will offer one of the best customer services in the industry with a high level of customer satisfaction.**
	We will continuously improve our customer service according to the needs and wishes of our customers. Up to 2020 in doing so we will focus on: — The continuous optimisation of our service channels — The digitalisation of our service offering at o2online.de and our My O$_2$ app and the piloting of new digital contact opportunities (e. g. messaging, chatbots)
	We will invest consistently in our network infrastructure and while doing so orient ourselves towards the actual benefit for our customers in order to be able to provide our customers with the best network experience.
Supply chain	**Commitment** **We promote sustainable procurement management and supplier management. In the years leading up to and including 2020 we will take CR criteria into account in 100 % of the purchasing processes with our most important suppliers.**
	We will continuously bring the purchasing processes of Telefónica Global Services (TGS), the specialist departments of the Telefónica Deutschland Group, the CR department and the contact with suppliers into line with the Supply Chain Sustainability Policy by the end of 2020.
	We will continue to perform the risk analyses of suppliers every two years and by 2020 set up a system aimed at improving the sustainability performance of suppliers identified as posing a risk.

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CR TOPIC	TARGETS/MEASURES FOR 2018–2020

Employer

Commitment
In the years leading up to 2020 we will position ourselves internally and externally as an attractive employer and achieve generally good to very good results in our employee surveys.

We will carry out an annual anonymised employee survey, with a return rate of 70 % until 2020. Subsequently, we will engage within the framework of action planning in an open dialogue on the executives, who will receive appropriate aids.

In a dynamic market environment, we will steadily optimise our corporate structure, develop management and cooperation and offer our employees flexible working models with regard to time and place:
— Development of new agile forms of organisation in order to promote the interdisciplinary cooperation and quick decision paths. By 2020 at least three to five agile forms of organisation will be implemented.
— Continuous consideration of what kind of management and cooperation is sensible in which situation and area and enabling the executives and employees to execute this.
— Development of flexible working models with regard to time and place. By 2020 100 % of office employees will be equipped with laptops and business mobile phones.

Further training is to be accessible for our employees in real time and easily. By 2020 all employees will have a digital learning platform at their disposal. Via this, they will in fewer than five clicks be able to find the opportunities for further training that are right for them.

Our attractiveness as an employer in the market is reflected in the numbers of external applicants.

We offer our employees attractive internal opportunities for developing their careers. We want to:
— by 2020 fill on average at least 30 % of vacancies with internal employees
— by 2020 achieve a rate of 90 % for offering trainees and dual-studies students permanent employment
— in the years leading up to and including 2020 support women in their careers by achieving a participation rate of at least 16 % of eligible women in the company in Women in Leadership and the mentoring programme which goes with it

An important component of employer attractiveness is also a commensurate remuneration system for the employees of Telefónica Germany GmbH & Co OHG. We will therefore by the end of 2018 introduce a fair, transparent and attractive remuneration system that facilitates fluent development.

In the years leading up to and including 2020 we will operate an integral health management programme to implement the targets and principles of our health policy. We will in particular introduce a sustainable target and measurement system (KPIs) for the maintenance of industrial, health and safety standards, which will be raised at least annually.

Compliance

Commitment
We act in accordance with all laws, societal guidelines and values. In the years leading up to and including 2020 we will strive for externally recognised certification of our compliance management system.

In 2018 we will put at employees' disposal an app for their smartphones/tablets that contains important information, news and contacts regarding the subject of compliance.

We will continuously improve our compliance management system and strive for external certification in accordance with the IDW auditing standard 980 by the end of 2020.

We will strengthen our prevention measures in the area of anti-corruption and will offer our employees a new training option on the subject.

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STRENGTHENING LIFE IN THE DIGITAL WORLD

Our ambition: We succeed in encouraging all people to embrace the digital opportunities available and develop their skills in everyday digital life according to their individual requirements and wishes.

In the years leading up to and including 2020, over 50 million people benefit annually from our products and programmes, enabling them to live digital and independent lives.

CR TOPIC	TARGETS/MEASURES FOR 2018–2020
Sustainable innovations	**Commitment** In the years leading up to 2020 we will push technologies to simplify linking up people, devices and machines in the private and industrial world. The goal is to support our customers in the realisation of new digital products and business models.
	Digitalisation of the energy transition by 2020: we will provide the digital infrastructure for successfully networking intelligent measurement systems (smart grids/smart meters). Together with our partners, we will offer solutions which allow for more transparency regarding energy consumption.
	Networked mobility and reduction in CO_2 fleet emissions in the years leading up to 2020: we will supply analysis applications for company vehicle fleets to improve driver safety, reduce fuel consumption and lower maintenance costs. Moreover, we will offer telematics solutions, which give our customers more transparency, enabling them to keep to the statutory requirements for average CO_2 fleet emissions.
	Moving and environmentally friendly urban traffic by 2020: together with partners, we will specifically develop analyses on the basis of our data, which will enable, for instance, personal shuttle buses to be put on for entire cities, greenhouse gases to be controlled and flows of traffic to be planned for large events.
	Better quality of life for senior citizens by 2020: we will develop the digital infrastructure for extended care of senior citizens by means of intelligently connected sensors and applications and put these at business partners' disposal, so more people can live independently into old age and therefore not be permanently dependent on on-site assistance.
	Increase in general health awareness by 2020: we will offer a consumer-oriented platform for the Internet of Things that, among other things, enhances sportswear with multiple sensors and analysis programmes to go with them, so exercisers can gain an insight into their vital signs.
	Reduction in risk of fraudulent activities in the financial services sector, for example improper access to online banking services, by 2020: we will offer solutions that increase security for consumers and banks by giving companies from the financial services sector the opportunity to verify the correctness of customers' transactions or logins.[1]
Digital inclusion	**Commitment** We make people of all age groups fit for the digital world. With Germany-wide support programmes such as Think Big, Digital mobil im Alter – Tablets für Senioren and our O_2 Gurus, we will in the years leading up to and including 2020 provide inspiration and support to 10 million people.
	By the end of 2018 we will have digitally inspired and reached more than 7,500 young people (70 funded projects with more than 1,300 participating young people and over 6,200 further young people inspired digitally and supported in the development of their digital skills online and offline). With that, we will by the end of 2018 have reached more than 115,000 young people with Think Big since 2010 and given them digital, communication and entrepreneurial skills they need to be capable of acting in the digitalised world and ensuring they are equipped for their later working and professional life.
	With the programme "Digital Mobil im Alter – Tablets für Senioren" (Digitally Mobile in Old Age – Tablets for Senior Citizens), we want to together with Stiftung Digitale Chancen (Digital Opportunities Foundation) in 2018 reach at least 2,900 elderly people Germany-wide (of which approx. 2,000 are project participants (including online users) and 900 are opinion leaders of senior citizen age). This is in addition to 600 further opinion leaders of younger age. Achieving this with our loaned-out tablets will ensure we contribute to senior citizens gaining access to the digital world, breaking down barriers to use through increased technical understanding and putting the benefits to use in their everyday lives. Through holding events to establish interest-led media literacy education for senior citizens, we also want to set up new networks and strengthen existing ones.

[1] The target was adjusted on the basis of a relevance assessment for the period starting from 2018.

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CR TOPIC	TARGETS/MEASURES FOR 2018–2020
Digital inclusion	**Commitment** We make people of all age groups fit for the digital world. With Germany-wide support programmes such as Think Big, Digital mobil im Alter – Tablets für Senioren and our O_2 Gurus, we will in the years leading up to and including 2020 provide inspiration and support to 10 million people.
	O_2 Guru: — With the O_2 Gurus, we will provide inspiration and support to people of every age via all channels in order to make digital technologies accessible to the people and help them solve technical issues. — We will integrate information materials for children, young people and parents on the competent use of smartphones and the Internet of Things among the O_2 Gurus. This information will be directly integrated into advice and sales when customers purchase products for their children who are still minors. — O_2 Gurus and the associated Guru workshops will be continued, kept thematically relevant and optimised in a methodically constant way.
	In 2018 we will develop an engagement strategy for media protection and media literacy education.
	We will carry on being an active stakeholder in the political and public debate on youth media protection and in line with this participate in the management board of Germany's Voluntary Self-Monitoring of Multimedia Service Providers.
Data protection	**Commitment** We are working to ensure customers retain sovereignty over their data and remain the masters of their digital lives. We protect the data of our clients, employees, partners and investors in all products and processes, and ensure that Telefónica Deutschland's business activities comply with data protection. Our actions in this are straightforward and transparent, and we communicate with all the relevant interest groups about innovations early on.
	We are adapting our internal training concept for data security continuously to company and legal prerequisites, therefore guaranteeing compliance with the statutory provisions. It is in this context that the implementation of the EU's General Data Protection Regulation and the adaptation of the corresponding training and information measures will take place.
	"Privacy by design/default": we are already involved in planning new products and new processes and advising the specialist departments on data-protection-relevant aspects. We are working towards the data-protection-friendly design of processes and products.
	We are in regular and constructive dialogue with external stakeholders such as the Bundesnetzagentur (Germany's Federal Network Agency) and the German Federal Commissioner for Data Protection and Freedom of Information (BfDI).
	In 2018 too, we will inform employees, customers and suppliers in a transparent, clear, goal-oriented and comprehensible way regarding our data processing.
	In the area of corporate security, we will focus on the following measures in 2018: — Implementing and optimising an information security management system (ISMS) for the merged company in line with the ISO 27001:2013 standard — Setting up a clear governance structure — Optimising information security in all relevant divisions and their processes — Expanding the corporate-security emergency centre — Expanding security assessments in the Telefónica Deutschland Group

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ENVIRONMENTAL AND CLIMATE PROTECTION

Our ambition: We harness the opportunities provided by digitalisation to cut raw-material and energy consumption. By 2020 we aim to have reduced our direct and indirect CO_2 emissions by 11 % compared with 2015.

CR TOPIC	TARGETS/MEASURES FOR 2018–2020
Energy & CO_2 reduction	**Commitment** **We will reduce our energy consumption per data volume by 40 % by 2020 compared with 2015 and annually purchase from green electricity sources 100 % of the energy we procure and control ourselves.**
	By 2018 or 2020 we will have implemented the following energy efficiency measures in the area of the network: — Modernisation of 2G networks (saving to be expected 6 GWh) and 3G networks (saving to be expected 1.5 GWh) by the end of 2018. — Site deactivation by the end of 2018 of approx. 15,000 network units within the framework of network consolidation and modernisation, saving of approx. 202 GWh. — Successive saving of approx. 50 GWh through deactivation of DSL main distributor by 2020. The savings made through energy efficiency in operating business activities (opex) should amount to 15 million euros by 2020.
	By the end of 2020 we will have achieved the following in the area of CO_2 management and mobility: — Reduction in average fleet emissions to 95 g CO_2/km by means of incentives for company vehicles newly registered from 2020. To achieve this, we will rework the vehicle guideline of the Telefónica Deutschland Group in order to limit the number of vehicles with high CO_2 emissions and financially support electric cars. — 10 % reduction in CO_2 emissions arising from business travel (basis year 2015) by 2018 incl. review and development of a new travel policy. — Development and implementation of a new concept for emission-friendly travel to and from work by the end of 2018.
Conservation of resources	**Commitment** **In the years leading up to and including 2020 we will annually implement at least one further relevant measure for protecting resources in our structures and processes.**
	We will expand the share of online bills by 2 % annually (basis value for total e-bills share from Oct. 2015 of 90.4 %) by 2018 in order to promote more sustainable and paper-efficient behaviour.
	By the end of 2018 we will reduce paper consumption by a further 2 % year-on-year in offices, shops and call centres through careful use and leveraging the opportunities offered by our digital environment.

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INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON SUSTAINABILITY INFORMATION[1]

TO TELEFÓNICA DEUTSCHLAND HOLDING AG, MUNICH

We have performed a limited assurance engagement on the disclosures in the sustainability report of Telefónica Deutschland Holding AG, Munich (hereinafter: "the Company"), for the period from 1 January to 31 December 2017 (hereinafter: "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: "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 control as they have considered necessary to enable the preparation of a Report that is free from material misstatement whether due to fraud or error.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

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

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the sustainability report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

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WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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.

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 2017 has not been prepared, in all material aspects, in accordance with the relevant 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
— 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
— Inspection of additional documents and supportive systems
— Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
— Evaluation of the presentation of the selected disclosures regarding sustainability performance
— Use the work of a practitioner's verification of energy consumption and greenhouse gas emission indicators according to ISO 14064

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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 2017 have not been prepared, in all material aspects, in accordance with the relevant 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, 4 May 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad   ppa. Annette Daschner
Wirtschaftsprüfer
(German Public Auditor)

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GRI CONTENT INDEX

The Telefónica Deutschland Group CR Report was prepared in accordance with the GRI Standards: Comprehensive option and fulfils the conditions of the GRI Materiality Disclosure Service.

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 101: Foundation 2016				
ORGANISATIONAL PROFILE				
GRI 102: General disclosures 2016	102-1	Name of the organisation	Portrait of the Company (p. 6)	
	102-2	Activities, brands, products, and services	Portrait of the Company (p. 6 f.)	
	102-3	Location of headquarters	Portrait of the Company (p. 6)	
	102-4	Location of operations	Portrait of the Company (p. 6)	
	102-5	Ownership and legal form	Portrait of the Company (p. 6) AR (Management Report) (p. 7)	
	102-6	Markets served	Portrait of the Company (p. 6)	
	102-7	Scale of the organisation	Portrait of the Company (p. 6) AR (Management Report) (p. 5)	
	102-8	Information on employees and other workers	Table of Key Figures for Employees (p. 67) In the 2017 reporting period the Telefónica Deutschland Group had 7,153 full-time employees (of which 4,993 were men and 2,160 were women) as well as 1,512 part-time employees (of which 343 were men and 1,169 were women). Altogether, the Telefónica Deutschland Group had 7,683 salaried employees with an open-ended contract (of which 4,778 were men and 2,905 were women) as well as 982 part-time employees with temporary contracts (of which 558 were men and 424 were women).	Seasonal fluctuations and a breakdown by contract workers are not relevant. This applies to all the employee figures.
	102-9	Supply chain	Supplier Management (p. 21) Table of Key Figures for Supply Chain (p. 65)	
	102-10	Significant changes to the organisation and its supply chain	AR (Consolidated Financial Statements) (p. 105; 110) AR (Management Declaration) (pp. 133–138)	
	102-11	Precautionary Principle or approach	CR Strategy (p. 10 f.) Environmental Management (p. 54) Non-Financial Report 2017 (pp. 13–15)	

Legend: AR = ⟩ Telefónica Deutschland Annual Report 2017

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
	102-12	External initiatives	Supplier Management (p. 21) Compliance (p. 31) SDG Statement (p. 107)	
	102-13	Memberships of assocations	Environmental Management (p. 55) Memberships (p. 75 f.)	

STRATEGY

GRI 102: General disclosures 2016	102-14	Statement from senior decision-maker	Foreword (p. 5)	
	102-15	Key impacts, risks, and opportunity	Business Strategy (p. 9) CR Strategy (p. 10 f.) AR (Management Report) (pp. 32–42) Non-Financial Report 2017 (pp. 5–7)	

ETHICS AND INTEGRITY

GRI 102: General disclosures 2016	102-16	Values, principles, standards, and norms of behavior	Compliance (p. 31) AR (Management Declaration) (pp. 133–138)	
	102-17	Mechanisms for advice and concerns about ethics	Compliance (pp. 31–33) AR (Corporate Governance Report) (pp. 130–132) AR (Management Declaration) (pp. 133–138)	

GOVERNANCE

GRI 102: General disclosures 2016	102-18	Governance structure	CR Management (p. 12 f.) AR (Management Report) (p. 11) AR (Corporate Governance Report) (pp. 130–132) AR (Management Declaration) (pp. 133–138)	
	102-19	Delegating authority	CR Management (p. 12 f.) AR (Management Report) (p. 11 ff.)	
	102-20	Executive-level responsibility for economic, environmental, and social topics	CR Management (p. 12 f.) Non-Financial Report 2017 (p. 5 f.)	
	102-21	Consulting stakeholders on economic, environmental, and social topics	CR Management (p. 12 f.) Non-Financial Report 2017 (p. 5 f.)	
	102-22	Composition of the highest governance body and its committees	AR (Management Declaration) (pp. 133–138)	
	102-23	Chair of the highest governance body	AR (Management Declaration) (pp. 133–138) AR (Corporate Governance Report) (pp. 130–132)	
	102-24	Nominating and selecting the highest governance body	AR (Supervisory Board Report) (pp. 125–129) AR (Management Declaration) (pp. 133–138)	
	102-25	Conflicts of interest	AR (Consolidated Financial Statements) (pp. 106–109) AR (Supervisory Board Report) (pp. 125–129) AR (Corporate Governance Report) (pp. 130–132)	

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
	102-26	Role of highest governance body in setting purpose, values, and strategy	AR (Supervisory Board Report) (pp. 125–129) AR (Management Declaration) (pp. 133–138)	
	102-27	Collective knowledge of highest governance body	AR (Corporate Governance Report) (pp. 130–132)	
	102-28	Evaluating the highest governance body's performance	AR (Corporate Governance Report) (pp. 130–132)	
	102-29	Identifying and managing economic, environmental, and social impacts	AR (Management Report) (p. 11 f.) Non-Financial Report 2017 (p. 5 f.)	
	102-30	Effectiveness of risk management processes	AR (Management Report) (p. 11 f.; pp. 32–42)	
	102-31	Review of economic, environmental, and social topics	CR Management (p. 12) AR (Management Report) (p. 11 f.)	
	102-32	Highest governance body's role in sustainability reporting	The CR strategy is approved by the Management Board once it has been reviewed. The CR department implements the CR reporting on the material topics on the basis of the CR strategy. The Management Board approves the CR Report following review.	
	102-33	Communicating critical concerns	AR (Corporate Governance Report) (pp. 130–132) AR (Management Declaration) (pp. 133–138)	
	102-34	Nature and total number of critical concerns	AR (Supervisory Board Report) (pp. 125–129)	
	102-35	Remuneration policies		Due to the company history, different remuneration systems are used at present. In cooperation with the works councils, a new uniform remuneration system is currently being developed and introduced at Telefónica Germany GmbH & Co. OHG. Within the framework of implementing the new remuneration system, the remuneration model will be reported on more extensively in the CR Report 2018.
	102-36	Process for determining remuneration	AR (Management Report) (pp. 46–52) AR (Management Declaration) (pp. 133–138)	
	102-37	Stakeholders' involvement in remuneration	AR (Management Report) (pp. 46–52) AR (Management Declaration) (pp. 133–138)	
	102-38	Annual total compensation ratio	AR (Management Report) (pp. 46–52) AR (Management Declaration) (pp. 133–138)	
	102-39	Percentage increase in annual total compensation ratio	AR (Management Report) (pp. 46–52) AR (Management Declaration) (pp. 133–138)	

STAKEHOLDER INVOLVEMENT

GRI 102: General disclosures 2016	102-40	List of stakeholder groups	Stakeholder Engagement (p. 14; 16)	
	102-41	Collective bargaining agreements	Table of Key Figures for Employees (p. 67)	
	102-42	Identifying and selecting stakeholder groups	CR Management (p. 12) Stakeholder Engagement (p. 14)	

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
	102-43	Approach to stakeholder engagement	Stakeholder Engagement (pp. 14–16) Customer Satisfaction (p. 19 f.) Telefónica as an Employer (p. 25) Data Protection and Information Security (p. 49 f.) Environmental Management (p. 55)	
	102-44	Key topics and concerns raised	Stakeholder Engagement (pp. 14–16)	

REPORTING METHOD

GRI 102: General disclosures 2016	102-45	Entities included in the consolidated financial statements	Portrait of the Company (p. 6) AR (Consolidated Financial Statements) (p. 66)	
	102-46	Defining report content and topic boundaries	About this report (p. 2) CR Strategy (p. 10 f.) Materiality according to GRI (pp. 77–79)	
	102-47	List of material topics	CR Strategy (p. 11) Materiality according to GRI (pp. 77–79)	
	102-48	Restatements of information	Table of Key Figures (pp. 64–72) CR Targets (pp. 80–89)	
	102-49	Changes in reporting	None	
	102-50	Reporting period	About this report (p. 2)	
	102-51	Date of most recent report	About this report (p. 2)	
	102-52	Reporting cycle	About this report (p. 2)	
	102-53	Contact point for questions regarding the report	About this report (p. 2) Imprint (p. 108)	
	102-54	Claims of reporting in accordance with the GRI Standards	About this report (p. 2)	
	102-55	GRI content index	GRI Content Index (pp. 93–106)	
	102-56	External assurance	Independent Assurance Report (pp. 90–92)	

GRI 200: ECONOMIC

ECONOMIC PERFORMANCE

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Business Strategy (p. 9) AR (Management Report) (pp. 11–14)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	Table of Economic Key Figures (p. 64 f.) AR (Consolidated Financial Statements) (p. 61–66)	
	201-2	Financial implications and other risks and opportunities due to climate change	Up to now, the financial impacts of climate change have been low for the Telefónica Deutschland Group and are therefore not reported on in detail.	
	201-3	Defined benefit plan obligations and other retirement plans	AR (Consolidated Financial Statements) (pp. 92–99)	
	201-4	Financial assistance received from government	AR (Management Report) (pp. 16–19)	

INDIRECT ECONOMIC IMPACTS

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Business Strategy (p. 9) Sustainable Innovations and Products (pp. 35–40)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	Business Strategy (p. 9) Sustainable Innovations and Products (pp. 35–40)	
	203-2	Significant indirect economic impacts	Business Strategy (p. 9) Sustainable Innovations and Products (pp. 35–40)	

PROCUREMENT PRACTICES

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Supplier Management (pp. 21–23)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	Table of Key Figures for Supply Chain (p. 65) The term "local suppliers" covers all domestic suppliers of the Telefónica Deutschland Group.	

ANTI-CORRUPTION

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Compliance (pp. 31–33)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Compliance (p. 33)	

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
	205-2	Communication and training about anti-corruption policies and procedures	Compliance (p. 33) Table of Key Figures for Compliance (p. 66) The employee training carried out on our Business Principles features content on the subject of anti-corruption. To strengthen the prevention measures in the area of anti-corruption, we will offer our employees new training on the subject in 2018. Moreover, further information (e. g. on dealing with gifts) is available for employees on the intranet. As a rule, our business partners are obligated to comply with our Business Principles. Furthermore, since 2017 we have been requiring all of our suppliers to commit to a binding declaration of compliance with anti-corruption laws via our tendering platform.	
	205-3	Confirmed incidents of corruption and actions taken	Compliance (p. 32) Table of Key Figures for Compliance (p. 66)	

ANTI-COMPETITIVE BEHAVIOR

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Compliance (pp. 31–33)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	During the reporting period, no proceedings were initiated against the Telefónica Deutschland Group on the basis of anti-competitive behaviour, cartelisation or monopolisation.	

GRI 300: ENVIRONMENTAL

MATERIALS

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Environmental Management (p. 54 f.) Conservation of Resources (p. 60 f.)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 301: Materials 2016	301-1	Materials used by weight or volume		Not relevant because the Telefónica Deutschland Group is not a manufacturing business.
	301-2	Recycled input materials used		Not relevant because the Telefónica Deutschland Group is not a manufacturing business.

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
	301-3	Reclaimed products	Conservation of Resources (p. 60 f.) Table of Key Figures for the Environment (p. 72) The disclosure 301-3 was adjusted to the concrete conditions of the Telefónica Deutschland Group. The reporting refers to our mobile-phone recycling programme, which is not solely based on taking back our own phones. More information about mobile-phone recycling can also be found here: www.telefonica.de/handyrecycling.	The Telefónica Deutschland Group does not report on the packaging of mobile phones because it is not a manufacturing business.

ENERGY

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Environmental Management (p. 54 f.) Energy & CO_2 Reduction (p. 56 f.; 59)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Energy & CO_2 Reduction (p. 57) Table of Key Figures for the Environment (p. 70)	
	302-2	Energy consumption outside of the organisation		Not relevant for internal corporate governance and not demanded by stakeholders.
	302-3	Energy intensity	Energy & CO_2 Reduction (p. 56) Table of Key Figures for the Environment (p. 70)	
	302-4	Reduction of energy consumption	Energy & CO_2 Reduction (p. 57; 59)	
	302-5	Reductions in energy requirements of products and services	Energy & CO_2 Reduction (p. 59)	

EMISSIONS

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Environmental Management (p. 54 f.) Energy & CO_2 Reduction (p. 56; 58 f.)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Energy & CO_2 Reduction (p. 58) Table of Key Figures for the Environment (p. 71)	
	305-2	Energy indirect (Scope 2) GHG emissions	Energy & CO_2 Reduction (p. 58) Table of Key Figures for the Environment (p. 71)	
	305-3	Other indirect (Scope 3) GHG emissions	Energy & CO_2 Reduction (p. 58) Table of Key Figures for the Environment (p. 71)	
	305-4	GHG emissions intensity	Table of Key Figures for the Environment (p. 71)	
	305-5	Reduction of GHG emissions	Energy & CO_2 Reduction (p. 58)	

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
	305-6	Emissions of ozone-depleting substances (ODS)		Not relevant. Emissions are recorded but due to their volume they are not material.
	305-7	Nitrogen oxides (NO$_x$), sulfur oxides (SO$_x$), and other significant air emissions		Not relevant. Emissions are recorded but due to their volume they are not material.

ENVIRONMENTAL COMPLIANCE

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Environmental Management (p. 54 f.)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	Table of Key Figures for Compliance (p. 66) Compliance with environmental regulations is overseen via the implemented management systems ISO 14001 and 50001 within the company.	

SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Supplier Management (pp. 21–23)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	Table of Key Figures for the Supply Chain (p. 65)	
	308-2	Negative environmental impacts in the supply chain and actions taken	Supplier Management (p. 22 f.) Environmental Management (p. 54)	

GRI 400: SOCIAL

EMPLOYMENT

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Telefónica as an Employer (pp. 24–30)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Table of Key Figures for Employees (p. 68 f.)	

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	No distinction is made for: Group accident insurance (incl. disability and invalidity coverage), healthcare, parental leave, stock ownership, allowances for food, use of company facilities (e. g. canteen, sports programme, employer's contributions to tax-deductible savings schemes) For employees with contracts of indefinite duration: Access to retirement provision because of the vesting period of five years. Most fringe benefits are offered to part-time employees based on their pro rata level of employment or part-time salary. There are benefits that are provided to part-time employees and full-time employees to the same extent (e. g. allowances for travel to and from work, calling credit for personal use).	
	401-3	Parental leave	Table of Key Figures for Employees (p. 69) In accordance with Section 15 of the Bundeselterngeld- und Elternzeitgesetz (Federal Parental Allowance and Parental Leave Act (BEEG)), all parents in Germany are entitled to parental leave in order to look after and raise a child until he/she turns three.	

LABOR/MANAGEMENT RELATIONS

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality According to GRI (pp. 77–79) Telefónica as an Employer (p. 24 f.)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 402: Labor/management relations 2016	402-1	Minimum notice periods regarding operational changes	Implemented according to a resolution passed by the responsible works council bodies in a procedure agreed with these with notice periods agreed jointly.	

OCCUPATIONAL HEALTH AND SAFETY

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Telefónica as an Employer (p. 29 f.)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 403: Occupational health and safety 2016	403-1	Workers representation in formal joint management–worker health and safety committees	Employer–worker health and safety committees typically operate at company level, i. e. nationwide. An example is the committee for occupational safety. Percentage of total workforce represented in committees for occupational safety: approximately 1.8 % in the committees that represent 100 % of the employees.	

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Telefónica as an Employer (p. 30) Table of Key Figures for Employees (p. 69 f.) As far as registered workplace accidents were concerned, these were primarily sustained on the journey to or from work.	
	403-3	Workers with high incidence or high risk of diseases related to their occupation		Not material since there are no groups of employees that are subject to an occupational disease.
	403-4	Health and safety topics covered in formal agreements with trade unions	Agreements are covered by formal internal agreements dealing with health and safety topics.	Due to missing data, the percentage of occupational health and safety topics which are covered by the formal internal agreements cannot be reported for the 2017 reporting period.

TRAINING AND EDUCATION

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Telefónica as an Employer (p. 27)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee		Due to IT system changes, no valid key figures are available for the 2017 reporting period. The corresponding key figures will be reported on again in the coming 2018 reporting period.
	404-2	Programmes for upgrading employee skills and transition assistance programmes	Telefónica as an Employer (p. 27)	
	404-3	Percentage of employees receiving regular performance and career development reviews	Due to the merger, regular performance dialogue was suspended. Career development reviews took place to provide employees and executives with opportunities for exchange in order for them to receive a regular assessment of their performance. For executives, Telefónica, S.A. puts a global system at their disposal.	

DIVERSITY AND EQUAL OPPORTUNITY

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Telefónica as an Employer (p. 28)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	Telefónica as an Employer (p. 28) Table of Key Figures for Employees (p. 67) Governance bodies: AR (Corporate Governance Report) (pp. 130–132)	
	405-2	Ratio of basic salary and remuneration of women to men	Table of Key Figures for Employees (p. 68)	

NON-DISCRIMINATION

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Compliance (p. 31) Component of our compliance management system	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Table of Key Figures for Compliance (p. 66)	

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Supplier Management (p. 21–23) Compliance (p. 31) Component of our compliance management system	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 407: Freedom of association and collective bargaining 201	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	The right to freedom of association and collective bargaining is laid down in German law. To minimise any risk posed to freedom of association and collective bargaining in the supply chain, we oblige our suppliers to comply with our Supply Chain Sustainability Policy. No incidents posing a risk to freedom of association or to collective bargaining are known for the reporting period.	

CHILD LABOR

GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Supplier Management (pp. 21–23) Compliance (p. 31) Component of our compliance management system	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 408: Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	To minimise the risk of child labor in the supply chain, we oblige our suppliers to comply with our Supply Chain Sustainability Policy. No incidents of child labor during the reporting period are known to us.	

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
FORCED OR COMPULSORY LABOR				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Supplier Management (pp. 21–23) Compliance (p. 31) Component of our compliance management system	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 409: Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	To minimise the risk of forced labor in the supply chain, we oblige our suppliers to comply with our Supply Chain Sustainability Policy. No incidents of forced labor during the reporting period are known to us.	
LOCAL COMMUNITIES				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Digital Inclusion (pp. 41–45)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	Digital Inclusion (pp. 41–45)	
	413-2	Operations with significant actual and potential negative impacts on local communities	Sustainable Innovations and Products (pp. 35–40)	
SUPPLIER SOCIAL ASSESSMENT				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Supplier Management (pp. 21–23)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria	Table of Key Figures for the Supply Chain (p. 65)	
	414-2	Negative social impacts in the supply chain and actions taken	Supplier Management (p. 22 f.)	

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
PUBLIC POLICY				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Compliance (p. 31)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 415: Public Policy 2016	415-1	Political contributions	Table of Key Figures for Compliance (p. 66)	
CUSTOMER HEALTH AND SAFETY				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Data Protection and Information Security (pp. 46–50) Protection of Minors (p. 51 f.) Mobile Communication and Health (p. 62)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 416: Customer health and safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Mobile Communication and Health (p. 62) Compliance with limits is checked by Germany's Federal Network Agency (BNetzA) at all masts. More information is available on the website of the Telefónica Deutschland Group, including a current list of mobile-phone SAR values: www.telefonica.de/verantwortung/umwelt-und-klima-schuetzen/mobilfunk-gesundheit.html	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	None	
MARKETING AND LABELING				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Data Protection and Information Security (pp. 46–50) Protection of Minors (p. 51 f.)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 417: Marketing and labeling 2016	417-1	Requirements for product and service information and labeling	Protection of Minors (p. 51 f.)	
	417-2	Incidents of non-compliance concerning product and service information and labeling	None	
	417-3	Incidents of non-compliance concerning marketing communications	Table of Key Figures for Compliance (p. 66)	

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GRI STANDARD	DISCLOSURE		REFERENCE & COMMENT	REASONS FOR OMISSION
CUSTOMER PRIVACY				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Data Protection and Information Security (pp. 46–50)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Protection and Information Security (p. 50) Table of Key Figures for Compliance (p. 66)	
SOCIOECONOMIC COMPLIANCE				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Materiality according to GRI (pp. 77–79) Compliance (p. 31)	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	In 2017 proceedings were initiated 122 times on the basis of violation of the order on the means of providing proof as regards limiting exposure to electromagnetic fields (BEMFV). This resulted in being penalised 39 times, which led to fines amounting to EUR 68,265 being issued.[1]	

[1] For each of our mobile-communications sites (with more than 10 WEIRP transmitting power), we have a certificate from the BNetzA confirming the legal limits are not being exceeded. Since 2015 the BNetzA has issued more than 15,000 certificates for us. In addition, the BNetzA takes readings to check the limits are not being exceeded (reading results also available at emf3.bundesnetzagentur.de). We are not aware of any instance of us exceeding the legal limits.

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1.0   Introductory Part

2.0   Corporate
       Responsibility
       Management

3.0   Responsible Business
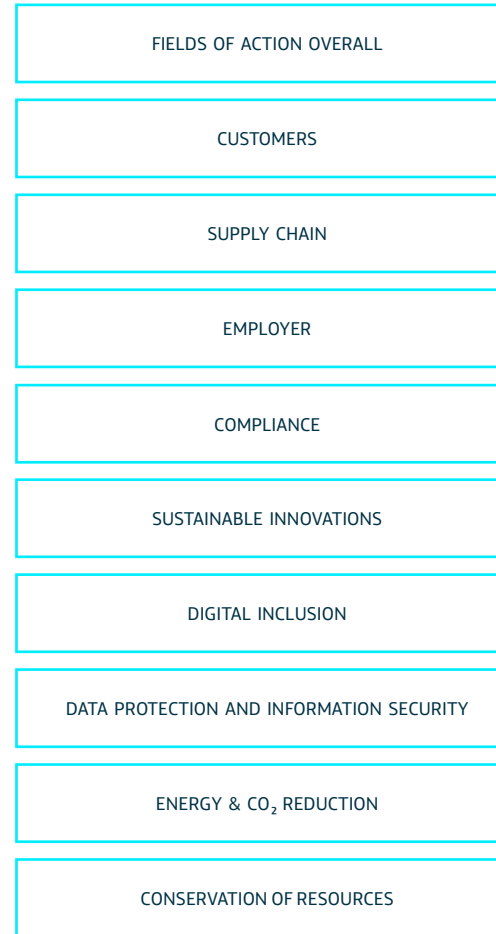
4.0   Strengthening Life
       in the Digital World

5.0   Environmental and
       Climate Protection

6.0   Facts & Figures

       6.1   Table of Key Figures

       6.2   Awards

       6.3   Memberships

       6.4   Materiality
              according to GRI

       6.5   CR Targets

       6.6   Independent
              Assurance Report

       6.7   GRI Content Index

       6.8   SDG Statement

       6.9   Imprint

SDG STATEMENT

In September 2015 the United Nations adopted 17 global targets for sustainable development (the Sustainable Development Goals or SDGs). The Telefónica Deutschland Group supports the implementation of the SDGs and makes its own contribution to achieving these in the fields of action addressed in the Responsible Business Plan 2020.

FIELDS OF ACTION OVERALL

CUSTOMERS

SUPPLY CHAIN

EMPLOYER

COMPLIANCE

SUSTAINABLE INNOVATIONS

DIGITAL INCLUSION

DATA PROTECTION AND INFORMATION SECURITY

ENERGY & CO$_2$ REDUCTION

CONSERVATION OF RESOURCES

IMPRINT

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> telefonica.de/verantwortung

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