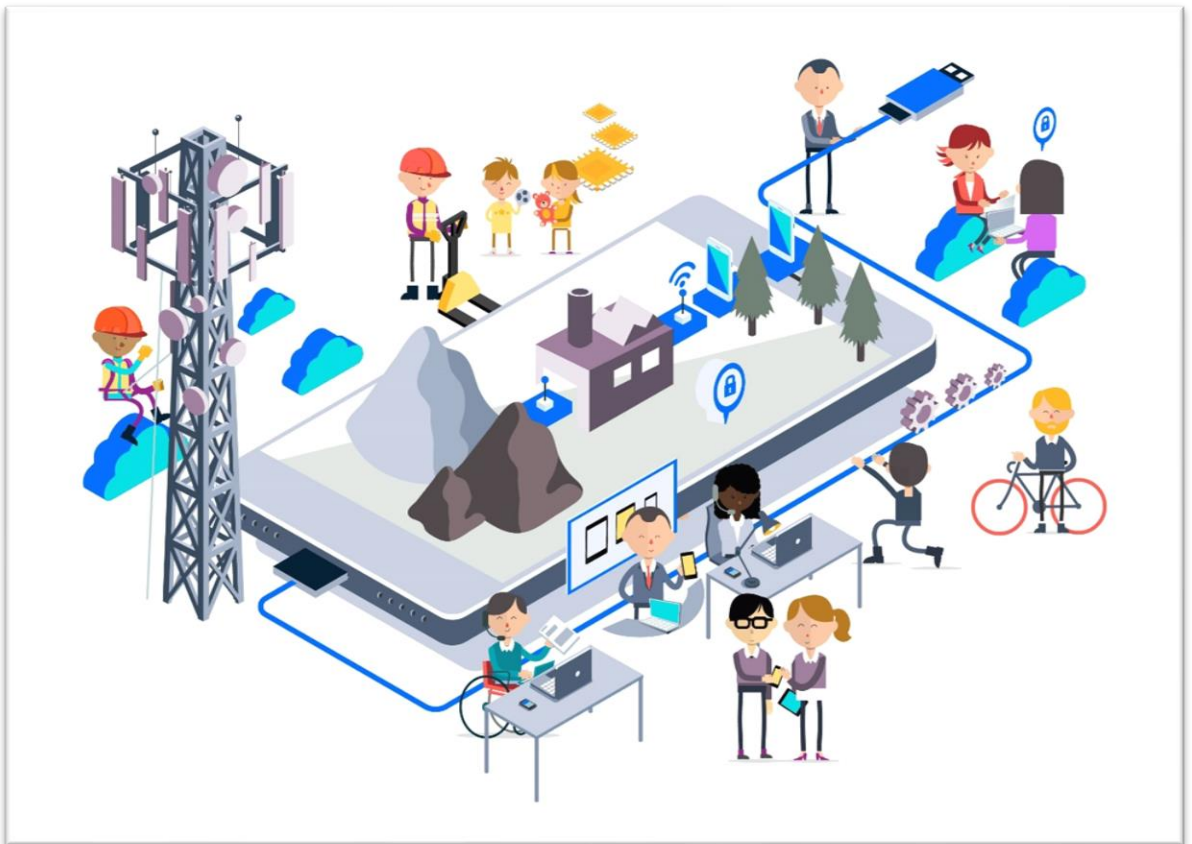


# Supply Chain Sustainability Policy

## Telefónica Deutschland Holding AG



## Contents

1. INTRODUCTION .....	2
2. BASIC PRINCIPLES AND SCOPE OF APPLICATION .....	2
3. CONTRACTUAL OBLIGATION .....	3
3.1 COMPLYING WITH THE LAW AS A PRINCIPLE .....	3
3.2 SOCIAL RESPONSIBILITY .....	3
3.3 ENVIRONMENTAL RESPONSIBILITY .....	7
3.4 ETHICAL BUSINESS CONDUCT AND COMPLIANCE .....	9
3.5 CRITERIA FOR DATA PRIVACY AND CONFIDENTIALITY OF INFORMATION .....	10
4. IMPLEMENTATION OF EXPECTATIONS BY THE SUPPLIER AND LEGAL CONSEQUENCES OF BREACHES .....	11
5. PROCEDURE FOR COMPLAINTS AND WHISTLE-BLOWING .....	12
6. CHANGES AND UPDATES TO THE POLICY .....	13

## 1. INTRODUCTION

Telefónica Deutschland is aware of its responsibility in the supply chain arising from both its international presence and the influence enabled by its business volume. For this reason, the company promotes, establishes and maintains high responsible business standards vis-à-vis its suppliers, promoting compliance not only with respect to product and service quality standards, but also with regard to standards as well as legal requirements throughout Telefónica Deutschland's supply chain.

## 2. BASIC PRINCIPLES AND SCOPE OF APPLICATION

The Supply Chain Sustainability Policy has its origins in the [Telefónica Deutschland Business Principles](#), the [Declaration of Principles on Respecting Human Rights](#) and the [Human Rights Policy](#), which can be found at [www.telefonica.de/human-rights](http://www.telefonica.de/human-rights), all of which constitute the reference framework for the company's relationship with its various stakeholders. This policy has been established before this background and in accordance with national and international norms and standards such as **the Act on Corporate Due Diligence Obligations in Supply Chains (LkSG)**, **the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights**, **the United Nations Universal Declaration of Human Rights**, **the United Nations Guiding Principles on Business and Human Rights (UNGPs)**, **the Ten Principles of the United Nations Global Compact (UNGC)**, **the Declaration of Principles and Conventions of the International Labour Organization (ILO) regarding labour and social standards**, **the United Nations Convention on the Rights of the Child**, **the guidelines of the Organisation for Economic Co-operation and Development (OECD)** and **the standards of the International Organization for Standardization (ISO)**.

This policy includes the environmental, social and ethical expectations and requirements suppliers to Telefónica Deutschland must meet, **applies to the purchase of products and services, and concerns to the entirety of the Telefónica Deutschland's supply chain.**

The principles and obligations specified in this policy complement the measures implemented by Telefónica Deutschland in its own area of responsibility and business on the basis of the aforementioned Business Principles and regulations wherever Telefónica Deutschland is dependent upon its suppliers and expects appropriate support to put the measures into practice. This Code is not intended to unreasonably impose Telefónica

Deutschland's own corresponding obligations upon its suppliers. Rather, the objective is to jointly establish the aforementioned principles throughout the global supply chains.

### **3. CONTRACTUAL OBLIGATION**

Any company or organisation that wishes to be considered as a Telefónica Deutschland supplier submits itself by accepting this policy and its inclusion in the procurement contracts concluded between the supplier and the respective Telefónica Deutschland company, to the principles and obligations contained herein, commits itself to meet the ethical, social and environment-related expectations embedded in Telefónica Deutschland's operational framework and to use reasonable endeavours to contractually obligate its subcontractors to comply with comparable standards and provisions.

This policy's provisions complement the respective procurement contract and compliance with them constitutes a material obligation under the respective contract. A violation of the obligations laid out in this policy can therefore, with a corresponding level of severity, be a material reason for Telefónica Deutschland to end the respective supplier contracts (see also section 4 of this policy).

This policy applies exclusively to the relationship between the respective company of the Telefónica Deutschland Group (in this policy uniformly referred to as "Telefónica Deutschland") and the direct supplier and contractual partner; it neither confers rights on third parties nor constitutes a contract for the benefit of third parties nor a contract with protective effect for the benefit of third parties.

#### **3.1 Complying with the law as a principle**

Compliance with applicable laws is the basis of the supplier relationship between Telefónica Deutschland and its suppliers. The supplier is obliged at all times to abide by the respectively applicable international, national and local laws, provisions, regulations and official directives and take responsibility for its subcontractors acting in accordance with these.

#### **3.2 Social responsibility**

The supplier observes the internationally proclaimed human rights and avoids any form of involvement in violating human rights. The supplier respects the personal dignity, the privacy and the rights of each and every person. All forms of slavery are prohibited. Further, the

supplier complies with all standards and conventions drawn up by the International Labour Organization (ILO).

- **Forced labour and human trafficking:** The supplier must ensure, through its corporate policy and appropriate processes and measures, that within its own business or supply chain, labour is not performed under conditions of slavery, oppression, unlawful coercion or the unlawful threat of punishment, nor in forms of debt bondage, and that no human trafficking takes place. Workers cannot be obliged to pay “deposits” or to surrender identity documents or passports to their employer and must be able to exercise their termination rights set out by law.

Further, the deployment of security forces for the protection of business projects is forbidden if, due to the actual circumstances, there is a reasonable likelihood that, as a result of inadequate instructions or control, there is the threat of the prohibition of torture and cruel, inhuman and degrading treatment being violated, of injury to life and limb, or of the right to freedom of association and trade union freedom being compromised.

- **Child and adolescent labour:** The supplier shall ensure that its operations and its supply chain are free from child labour. In cases in which the supplier is compelled to eliminate child labour, it must do so in a manner consistent with the best interests of the children concerned. Children and adolescents under the age of 18 who have access to the labour market in accordance with local legislation must not work during the night or under conditions that are hazardous to their health. Any action taken must be in the best interests of the child in accordance with the ILO’s Convention Concerning the Minimum Age for Admission to Employment (Convention 138) and the Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (Convention 182) and the United Nations Convention on the Rights of the Child.
- **Employment relationship:** Work performed must be based on a recognised employment relationship as well as in accordance with the statutory provisions. The misuse of contracts for work, internships, subcontracted labour, sub-supplier contracts or improper contractual arrangements with a view to circumventing legal obligations is not permitted. Workers must be provided with a written contract of employment either in the official language of the place of work or in English, according to the worker’s choice. Workers must not be charged any employers’ or agents’ recruitment fees or other fees for their

employment. If any such fees should have been paid by workers, these are to be reimbursed.

- **Working hours:** The standard working hours must comply with national legislation and industry reference standards. Workers should not be required to work more than 48 hours per week on a regular basis and should be provided with at least one day off after on average seven days. Overtime required by the employer should be voluntary and should not be requested on a regular basis. It should be ensured that overtime is remunerated or compensated appropriately. The right to digital disconnection should be promoted during daily and weekly rest periods, leave time and other occasions as well as respect for personal and family privacy outside of the working hours legally or conventionally determined.
- **Salaries:** The remuneration between male and female employees must be fair and commensurate with their activities and skills and must at least correspond to the applicable legal minimum wage. Employees must receive understandable information in writing regarding their working conditions with respect to their wages prior to commencement of the employment relationship as well as regular detailed payslips. Wage reductions are not permitted as a disciplinary measure. All disciplinary measures must be documented.
- **Violence and harassment in the workplace:** The supplier will promote an environment of zero tolerance regarding violence and harassment, abuse or corporal punishment, the threat of physical abuse, sexual or any other form of harassment, exploitation, degradation, verbal abuse or other forms of intimidation, all of which are expressly forbidden.
- **Freedom of association and the right to collective bargaining:** Workers have the right to form and join trade unions as well as to collectively bargain and strike in accordance with the respective national laws. The supplier is to be open with respect to the activities of the unions and their organisational work and is to expect this of its sub-suppliers too. Forming, joining and being a member of a trade union must not give rise to discrimination, and union members must be able to perform their union duties within the company in accordance with legal regulations. Where legislation limits the right to freedom of association and collective bargaining, the employer shall facilitate and not

hinder the development of parallel legal means for free and independent association and bargaining.

- **Diversity, inclusion and non-discrimination:** The supplier shall internally promote team diversity and ensure equal opportunity and equal rights among its employees. Unequal treatment is prohibited. Nobody may be disadvantaged or favoured on the basis of race, gender, sexual orientation, gender identity, age, disability, ethnicity, skin colour, language, geographical origin, social background, beliefs, religious or political views, or other circumstances, should this not be mandatorily derived from the requirements of the position. The personal dignity, privacy and personal rights of each and every person are to be respected.
- **Health and safety conditions:** The supplier shall provide its employees with a safe and healthy working environment in compliance with the local, national and international guidelines and in accordance with the specific hazards/risks of each activity.

Adequate measures must be taken to prevent workplace injuries and accidents by minimising the dangers inherent to the activities and the work environment. Excessive physical or mental fatigue are also to be prevented by means of suitable measures.

The supplier shall provide its employees with appropriate work equipment and the requisite protective equipment necessary for a safe work environment taking into consideration relevant risks and the applicable laws and industry-specific requirements.

The workers shall regularly receive training regarding health and safety that enables them to identify any risks associated with their activities and the work environment as well as learn the codes of conduct required to minimise those risks.

Access to clean sanitary facilities, safe and clean drinking water and hygienic facilities for the storage and consumption of food must be ensured. If accommodation is provided, this must be clean and safe and must satisfy the workers' basic needs.

The supplier shall assign appropriate responsibility for health and safety within the workforce. The supplier should have in place or be in the process of introducing a suitable health and safety policy which satisfies the requirements of ISO 45001 or other internationally accepted standards.

Should work be performed by employees of the supplier or staff of one of its sub-suppliers at Telefónica Deutschland sites, the locally applicable health and safety standards of Telefónica Deutschland must be observed, and any Telefónica Deutschland instructions must be complied with.

- **Preservation of the natural basis for life:** The supplier shall ensure that that no unlawful evictions or unlawful deprivation of land, forests, and waters, the use of which secures a person's livelihood, occur in its operations in connection with the acquisition, use, or development of land. Harmful soil changes, water and air pollution, noise emissions and excessive water consumption are to be avoided as far as possible and, in any case, refrained from if doing any of these damages people's health, considerably impairs the natural basis for the production of food, or prevents peoples' access to safe drinking water or sanitary facilities.

### 3.3 Environmental responsibility

- **Compliance with environmental law:** In accordance with the principle of complying with the existing laws as per section 3.1, the supplier commits to abide by all applicable laws and provisions on the protection of the environment, including the laws and provisions on hazardous substances; air, noise, water and soil emissions; single-use plastics; waste; and legal requirements and relevant industry standards that prohibit or limit the use of certain substances in the manufacture or design of products.

Within the framework of its manufacturing and production processes as well as the downstream processes, the supplier shall comply with all relevant legislative provisions in order to prevent and minimise environment-related risks; this includes national and international laws as well as applicable international conventions. Here, the following in particular are concerned: the Minamata Convention on Mercury, the Stockholm Convention on Persistent Organic Pollutants and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

The supplier shall further ensure that the products made available or delivered by it comply with all relevant legal provisions of the European Union, including but not limited to RoHS and REACH.



Insofar as substances harmful to the ozone are handled as part of the supply chain, this must be carried out in accordance with the Montreal Protocol and any applicable provisions.

- **Minerals from conflict-affected and high-risk areas (conflict materials):** Through clear policies and strategies, the supplier shall ensure compliance with Article 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Furthermore, policies and strategies should be in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.<sup>1</sup> If requested by Telefónica Deutschland, the supplier must complete the Conflict Minerals Reporting Template<sup>2</sup> of the Responsible Minerals Initiative or present a similar report recognised by Telefónica Deutschland in order to improve transparency regarding the origins of these types of minerals in our value chain.
- **Climate management:** Suppliers must calculate and publicly disclose their Scope 1 and Scope 2 emissions in accordance with the GHG Protocol Corporate Standard. Upon request by Telefónica Deutschland, the supplier must provide plans and targets for the reduction of greenhouse gas emissions that are in line with the requirements regarding Scope 1 and 2 emissions within the 1.5-degree scenario of the Paris Agreement.

The supplier commits to monitoring and reducing its own energy consumption and to actively promoting the use of energy from renewable and alternative sources for operating processes and logistics systems.

Telefónica Deutschland also encourages its suppliers to calculate the most relevant Scope 3 emissions and report these annually. Suppliers are also to promote initiatives in the area of energy efficiency and favour the use of renewable energy sources rather than non-renewable ones. In addition, suppliers are urged to specify clear

---

<sup>1</sup> OECD guidelines on the website: [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition | en | OCDE | OECD](#)

<sup>2</sup> Conflict Minerals Reporting Template on the website: <https://www.responsiblemineralsinitiative.org/reporting-templates/cmrt/>

targets for reducing their greenhouse gas emissions and their energy consumption for the next three years on a scientific basis.

- **Circular economy:** The supplier must take measures to facilitate the transformation of our industry from linear consumption to a closed-loop system. These measures should aim to optimise the circular business models for products and packaging supplied to Telefónica Deutschland. The supplier should offer products and services that are based on eco-design practices and take the entire life cycle into account.
- **Environmental management:** The supplier must work in accordance with a documented and continuously updated environmental policy. This should contain commitments to environmental protection, biodiversity conservation, compliance with all applicable laws and continuous improvement.  
Furthermore, the supplier must provide environmental training for employees who perform tasks associated with considerable environmental impacts.
- **Waste:** The supplier must have systematic processes in place for managing waste arising from its activities for Telefónica Deutschland. The supplier must monitor, track and manage wastewater and solid waste in its operational processes and at all times seek opportunities to achieve improvements and reduce waste volumes. As part of the transformation to a circular economy and the continuous improvement of operating processes, suppliers should concentrate on avoiding or minimising waste and on a proactive design for circularity. Here, the focus should be on renewable or sustainable resources in the substance and material flows.
- **Environmental management system:** The supplier should operate a documented environmental management system or have a management plan in place to ensure the effective planning, direction and control of its environmental impacts. The system should satisfy the requirements of ISO 14001 or other internationally accepted standards that assure a continuous improvement process as per ISO 14001.

### 3.4 Ethical business conduct and compliance

- **Anti-corruption:** Telefónica Deutschland always acts in accordance with the existing laws and does not tolerate any form of corruption, extortion or bribery. Telefónica Deutschland therefore expects of its suppliers that they too actively and consistently counter all forms

of corruption in their own company, in their contractual partners' operations and in their supply chain. The supplier guarantees to comply with all applicable laws related to anti-corruption. To ensure this legislation is abided by in its own company, the supplier must have suitable policies and processes in place that also have to be observed in the wider supply chain. In particular, the supplier commits to neither directly nor indirectly offer, promise or give money or anything of value to officials with a view to influencing official acts or in some other way obtaining an improper advantage.

Telefónica Deutschland reserves the right to require the supplier to provide a certificate of compliance with the respectively applicable anti-corruption laws.

The supplier is obliged to report any violations immediately. Any breach of the relevant anti-corruption legislation shall be considered a material violation of the procurement contract.

- **Conflicts of interest:** For Telefónica Deutschland, it is material that business decisions are based on objective criteria and are not influenced by private or personal interests. Suppliers must therefore take measures to avoid conflicts of interest and guarantee the independence of the actions carried out in the context of their business relationship with Telefónica Deutschland.
- **Money laundering:** Within the scope of conducting their business, the supplier and its subsidiaries have at all times abided by all applicable anti-money laundering legislation and observed bookkeeping and reporting obligations and will continue to do so in the future.
- **Foreign trade legislation/sanctions:** The supplier is obliged to observe and comply with all existing export law provisions and applicable economic sanction programmes and to ensure this through suitable procedures and processes.  
This includes also, insofar as applicable, the US Foreign Corrupt Practices Act of 1977 (FCPA), the UK Bribery Act 2010 and import and export control requirements.

### 3.5 Criteria for data privacy and confidentiality of information

Where the processing of personal data is concerned, the supplier commits to observing the legislation on data protection and information security as well as official regulations. The

contractual partner must undersign suitable data protection agreements with Telefónica Deutschland or, depending on the circumstances of the particular case, contractual data protection arrangements and commit to complying with these.

#### **4. IMPLEMENTATION OF EXPECTATIONS BY THE SUPPLIER AND LEGAL CONSEQUENCES OF BREACHES**

The supplier commits to comply with the human rights and environment-related expectations of Telefónica Deutschland laid out in this policy and to appropriately address these throughout its own supply chain.

Insofar as the supplier itself falls within the scope of the Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), Telefónica Deutschland expects the corresponding legal obligations to be fulfilled also in respect of the supply chain that relates to the procurement contract.

Systematic risk management is a material component of sustainable supply chain management. Telefónica Deutschland therefore advocates the performance of risk assessments within the supplier's supply chain. Where the supplier implements corresponding risk assessments proactively or to fulfil its own legal obligations, thereby identifying risks or violations that have occurred, they shall share the results in each case immediately with Telefónica Deutschland, insofar as they concern the Telefónica Deutschland supply chain. This shall also apply if Telefónica Deutschland requests relevant information and documents from the supplier ad hoc.

Telefónica Deutschland expects of its suppliers that they identify risks within their supply chains and take appropriate measures. In the case of suspected violations and to safeguard supply chains with increased risks, the supplier will inform Telefónica Deutschland promptly and where necessary regularly of the identified violations and risks as well as the measures taken.

Compliance with the standards and regulations listed in this document is reviewed by Telefónica Deutschland in accordance with a risk-based approach with the aid of a self-assessment survey as well as ad hoc audits of suppliers. The supplier shall provide Telefónica Deutschland with any support reasonably required and shall especially cooperate by providing timely and full answers as well as assisting in case of an audit.

Telefónica Deutschland supports the supplier in fulfilling human rights and environment-related expectations through appropriate training resources for the supplier's employees. The supplier makes such resources available or conducts it independently within its own organisation.

In the event that particular risks become apparent within the supply chain concerned or violations of the agreed specifications in the policy become evident, the supplier must draw up an appropriate action plan to ensure that the risk is reduced and a violation is remedied immediately.

Should a breach of this policy's regulations be determined, Telefónica Deutschland will communicate this to the supplier promptly in writing and grant it a reasonable grace period to initiate relevant measures and bring its conduct into line with these regulations. If it is not possible to remedy the violation in the foreseeable future, the supplier is to indicate this without delay, and, together with Telefónica Deutschland, develop a concept with a timeline for eliminating or minimising the violation.

If the grace period expires with the desired results failing to be achieved or implementing the measures included in the concept does not remedy the situation adequately and less severe means are not available, Telefónica Deutschland may break off business relations and terminate all contracts concerned. Further rights arising from the procurement contract as well as a statutory right of extraordinary termination without an extension period, in particular for violations to be assessed as very serious, remains unaffected, as does the right to damages.

## **5. PROCEDURE FOR COMPLAINTS AND WHISTLE-BLOWING**

Suppliers and their employees are encouraged to submit questions and complaints in order to ensure the defined minimum requirements for responsible and sustainable actions are observed. This can be done through the Telefónica Deutschland reporting channel for human rights complaints<sup>3</sup> and in accordance with the Whistleblower Protection Act.<sup>4</sup> Furthermore, they have the opportunity to contact an independent lawyer who serves as an

---

<sup>3</sup> [humanrights-de@telefonica.com](mailto:humanrights-de@telefonica.com)

<sup>4</sup> [tell-us@telefonica.com](mailto:tell-us@telefonica.com)

ombudsperson<sup>5</sup> regarding anti-corruption as well as human rights and environment-related risks and violations.

Questions and complaints can be submitted anonymously or with the person stating their name. All enquiries are handled confidentially and are carefully examined. Should the supplier identify a violation of the obligations laid out in this policy within its own business or in the supply chain (including the supply chains of sub-suppliers), it must notify Telefónica Deutschland as soon as possible.

The supplier is obliged to inform its own employees and its sub-suppliers of the opportunity to use the Telefónica Deutschland reporting channel regularly and in a way that is barrier-free or alternatively make an equivalent reporting channel available that fulfils the defined requirements. Staff and sub-suppliers must be able to submit complaints without fear of disadvantage or retaliation.

Detailed information regarding Telefónica Deutschland's whistle-blower procedure can be found in the rules of procedure on the Telefónica Deutschland website.<sup>6</sup>

## **6. CHANGES AND UPDATES TO THE POLICY**

The latest version of this policy as well as further information on Telefónica Deutschland's sustainable supply chain management can be found under [Human rights \(telefonica.de\)](#).

---

<sup>5</sup> Ombudsperson's contact details on the Telefónica Deutschland website: [Ombudsperson EN](#)

<sup>6</sup> Rules of procedure on the Telefónica Deutschland website: <https://www.telefonica.de/home-corporate-en/whistleblowing-procedure.html>