



OUR APPROACH

# Materiality: focused on the key issues

We have taken an important step in the methodology Materiality in order to convey our message on sustainability better to the markets and society in general by compiling a more relevant, credible and easy-to-use report

This procedure has let us create a more general matrix that shows which issues should figure in the Report, and a specific matrix for each relevant material aspect

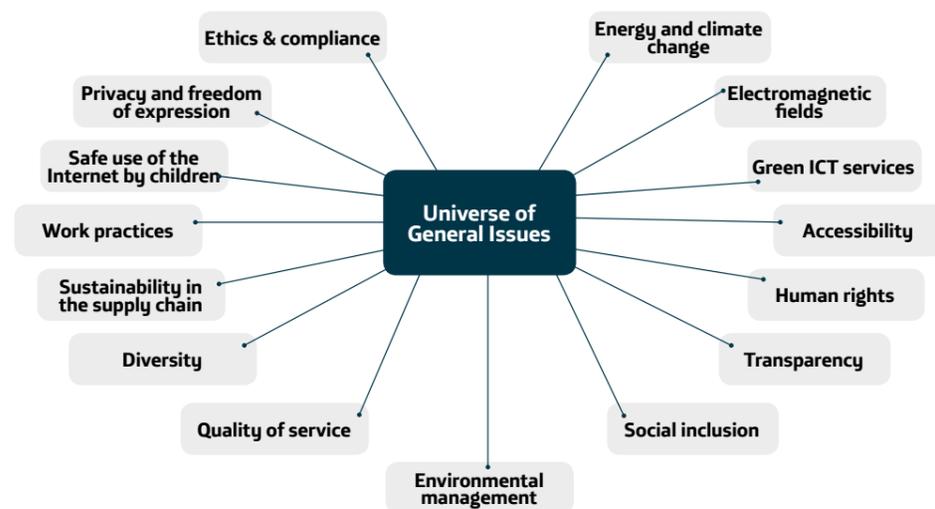
Taking advantage of the framework offered by version G4 of the Global Reporting Initiative (GRI), we at Telefónica wanted to go one step further with regard to our materiality matrix, so that we can concentrate on those issues which turn out to be key for our activity and our principal stakeholder groups.

In this way, we have analysed its materiality by creating a common procedure that makes us aware of the material aspects that reflect

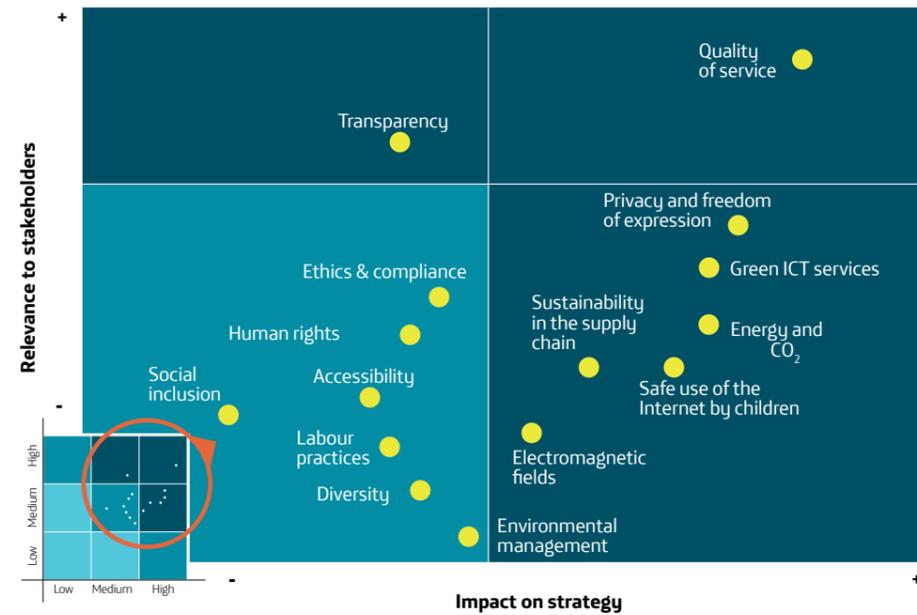
significant economic, environmental and social effects for our organisation, and also those of greatest relevance in our stakeholders' evaluations and decisions, such global and country level.

This procedure has let us create a more exhaustive general matrix that shows which issues should figure in the Report, and a specific matrix for each relevant material aspect.

## Identification of relevant general issues



## Materiality matrix



The analysis procedure are following:

### 1. Identification of relevant general issues

To identify the relevant general issues, we analysed the trends in the sector and the GRI G4 indicators, and we carried out interviews with our internal stakeholders. We identified 15 relevant subjects.

### 2. Identification of relevant specific issues

For each general issue, we carried out individual interviews with experts in the areas involved for analysis to determine which aspects were material. A total of 67 specific issues were identified.

### 3. Identification of stakeholders affected

As the outcome of our ongoing dialogue with our stakeholders, with whom we collaborate closely, we identified those affected by the issues, yielding weightings in terms of the impact and relevance for the company.

### 4. Evaluation of the impact on managing the company

To determine whether an aspect was material we performed a qualitative analysis in terms of four parameters evaluated according to a common criterion:

#### → Company vision and strategic relevance of sustainability

The company vision sets out from the conviction that technology should be available to all

individuals, companies and public authorities so that they can *Be more... Discover, Disrupt, Deliver* defines our way of working. These three attitudes sum up both our current corporate behaviour and brand values, and the expectations of our customers, employees and analysts. In the light of these criteria, we analysed whether each of the relevant issues identified fitted in with the company vision and strategy.

#### → Trends among our peers in the industry

We assessed whether each of the relevant subjects was being addressed by other companies in our industry.

#### → Sectoral initiatives and international sustainability trends

We determined whether the general issues identified were being considered by the main sector trade bodies and sustainability rankings. (GESI, ITU, DJSI, GSMA, CDP, ISO, etc.).

#### → Normative context

The applicable laws, regulations, international agreements and voluntary agreements were analysed for each of the issues identified.

#### 5. Evaluation of relevance for stakeholders

We identified the main stakeholders for each of the general issues, using all the information from the different mechanisms employed in our habitual dialogue with them.