Telefónica | vivo

Sustainability-Linked Financing Framework

June, 2022

Summary

About Telefônica Brasil

Telefônica Brasil S.A., owner of the **Vivo** brand, is the largest telecommunications company in the country, with a portfolio of convergent products and services to deliver the best possible experience to its **more than 100 million customers**, including mobile data, fixed broadband, ultra-broadband, pay TV, voice services (fixed and mobile), information technology and digital services (such as financial, cloud, entertainment, and security services).

The publicly traded company has common shares listed on Brazilian Stock Exchange (B3 – Brasil, Bolsa, Balcão), with the ticker VIVT3, and on the New York Stock Exchange, through the trading of American Depositary Receipts (ADRs), under the code VIV. The controller is the Telefônica Group, one of the largest telecommunications conglomerates in the world of Spanish origin, with a presence in 12 countries. As a market leader, Telefônica Brasil brings the responsibility of making a difference.

Therefore, it invests significantly in infrastructure, doing the groundwork to sustain all the technological advances that will come to allow society, other businesses, and ecosystems to be digital. Digitizing is also making people's lives easier and more complete. Therefore, the company has been exploring partnerships and innovative topics such as education, health, financial services, among others – consolidating itself as a **digital ecosystem**, a complete hub for people's digital lives.

The company's purpose, **"Digitize to Bring Closer"**, reinforces the commitment to bring quality connection and digital inclusion to people and companies throughout the national territory. This purpose was born from the belief that the technological revolution should be part of everyone's life, and not a privilege of a few. Telefônica Brasil aims to make the opportunities that the digital world offers universal, contributing as a positive force to the individual transformation of companies and society. The purpose that guides your actions is present in each of its **pillars of action**:

#TemVivoPraTudo	#TemTudoNaVivo	#DNAVivoEmTudo QueFazemos	#DNAVivoEmTudo QueSomos	#VivoSustentável
For any connection, we always want to be the best alternative	**Everything about technology can be found at Vivo**	**Reliable, easy, charming, and efficient relationship with our customers**	**Digitizing and bringing society closer is only possible if we have this culture internally**	**A conscious look at the technology and hyperconnectivity impacts**
We seek to have the largest network, with capillarity and all future technologies. We focus on a suitable infrastructure for our growth, an **ongoing look at innovation** and market agility, identifying new demands and developing flexible and relevant P&S.	We want to be a single provider of future technologies for our customers. Our goal is to offer a one-stop-shop experience, integrating service channels and bringing partners much closer to consolidate us as a **digitalization and distribution hub**.	We seek to transform and standardize our customer relationships, creating a **unique DNA** of relationship and service at all points of contact and for everyone to accelerate the way we reinvent our customers' engagement.	We dedicate to being a more **diverse and inclusive company** and to connect us with the most innovative ways of working, focusing on the balance and quality of life. We believe that a good employee experience is the best way to have a good customer experience.	We put our brand on behalf of society and the planet concerns to increase the generated value for all our stakeholders, towards a **more responsible society**. We remind everyone that there are times when people should stop being digitally connected to reconnect with themselves.

By bringing digitization to millions of Brazilians, Telefônica Brasil brings closer to people, businesses and society contributing to the construction of a more connected country and to transform the lives of customers, employees, and the whole society.

Approach to Sustainability

Since 2006, Telefônica Brasil's commitment to sustainability has been included in the **Responsible Business Principles**, the company's code of conduct. The Principles define how Telefônica Brasil wants to be, how it wants to work and relate to its stakeholders, bringing its values and commitments to ethical and responsible management, corporate governance, privacy rights and freedom of expression, information security, environment, responsible supply chain management, among others.

This commitment is also confirmed by Telefônica Brasil's participation in various sector-based and multi-stakeholder initiatives that promote the country's digitization and sustainable development. In this context, the company is a signatory of the Global Compact since 2010, including a commitment to actively contribute to the **17 Sustainable Development Goals (SDGs)** / 2030 Agenda.

For Telefônica Brasil, being sustainable means being connected with the expectations of a constantly evolving society, which wants to be digital, but also increasingly closer, present and sustainable. In this way, the company's objective is to remain a reference in the sector while promoting **positive impacts from digitalization**. This objective is translated through the 'Digitize to Bring Closer' purpose that defines the company's way of working, which goes beyond financial results. This purpose is supported by strategic pillars, among them: **#VivoSustentável**, which includes actions, practices and initiatives that promote the well-being of society, and **#DNAVivoemTudoqueSomos**, which translates the actions to ensure that the company remains increasingly open, plural and digital.

This strategy is deployed in the company through internal structures that ensures its perpetuity and dissemination across the organization, such as specific committees for ESG agendas with senior management: (a) **Quality and Sustainability Committee** (local and global) with the participation of independent members of the Board of Directors and (b) **Responsible Business and Reputation Committee**, with direct reporting to the CEO and the Executive Directors. In addition, 20% of the executives' individual bonus and the employees' program of participation in the results are linked to the achievement of ESG goals related to the themes: customer experience, carbon, reputation and diversity.

This structure is responsible for guiding and monitoring the deployment of the #VivoSustentável strategic pillar throughout the company and value chain, with the **Responsible Business Plan (RBP)** as a strategic instrument approved annually by the Board of Directors that enables this management and aims to ensure the commitment to sustainable growth. The RBP is based on a set of drivers that connect the demands of internal and external stakeholders, legal and regulatory aspects and ESG trends with the material aspects of the company.

These strategic drivers are broken down into more than 100 indicators with goals defined for a three-year period that also contribute to the SDGs/2030 Agenda. These indicators are divided into six pillars of action: Customer Experience, Ethics and Transparency, Environmental Management and Climate Change, Corporate Social Responsibility, Diversity and Talents and Sustainability in the Value Chain.

Telefônica Brasil's performance in sustainability/ESG has been generating results on three different fronts:

Environmental

1. COMMITMENT TO PROVIDE SOLUTIONS FOR ENVIRONMENTAL PROTECTION AND REGENERATION.

Keep the company **100% renewable electricity** and **carbon neutral**, helping to boost a **low-carbon economy** in its operation and throughout its value chain.

Be a more efficient company in the management of natural resources and a protagonist in **promoting responsible consumption**, decarbonization and reducing environmental impacts of society and other sectors of the economy.

Main advances

Carbon
100% Carbon Neutral since 2019.

Renewable Electricity
100% Renewable Energy and Distributed Generation Program with forecast of more than 80 plants throughout Brazil.

Circular Economy
More than 5 million items recycled by the Recycle with Vivo Program and ~ 1 million refurbished equipment per year.

Environmental Management System (EMS)
Largest environmental system certified by ISO14001 in the sector, covering 51 cities

EcoSmart and EcoRating
P&S portfolio with stamps that demonstrate environmental benefits.

Carbon Footprint
Platform availability for customers to estimate the carbon footprint associated with the use of Telefônica Brasil P&S.

Social

2. COMMITMENT TO PROMOTING POSITIVE IMPACTS FOR ALL ITS STAKEHOLDERS

Digitize Brazil and expand the quality connection for people and companies so that everyone can enjoy the **benefits of digitization**, generating socioeconomic and technological development

Value people for whom they are, **promoting the inclusion** and representativeness of minority groups throughout the company and at all hierarchical levels

Facilitate access to quality education and contributing to the **development of digital skills** as one of the key factors for digital inclusion

Main advances

Digitalization / Connectivity
98% of mobile network coverage in Brazil.

Digital Deal
Public commitment since 2014 for inclusion and digital security in Brazil.

ESG Products and Services
P&S portfolio that facilitates access to essential services (e.g., Vivo Money, Vivo Pay and Vida V).

***Dialogando* (Dialog)**
1st portal dedicated to open dialogue with society on the responsible use of technology.

Vivo Diversity Program
4 main performance fronts (Women, Pride, Afro and Equal).

Telefônica Vivo Foundation
About 2 million beneficiaries per year and launch of *Pense Grande Tech* (Think Big Tech) to boost the development of digital skills in public education.

Governance

3. COMMITMENT TO ACT ETHICALLY, RESPONSIBLY AND TRANSPARENTLY WITH ALL STAKEHOLDERS

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Act ethically and responsibly with all its stakeholders, adopting the **best governance and management practices**

17 PARTNERSHIPS FOR THE GOALS

Promote support **sector and multi-stakeholder initiatives**, public or private, that act in line with the company's strategic ESG objectives and contribute to the country's sustainable development

Main advances

Responsible Business Principles
Code of Conduct applicable to all employees, suppliers and business partners.

#VivodeAcordo
Compliance Program certified with DSC 10000.

Vivo Segura
ISO27001 Certified Digital Security Program.

Shareholders' Right
Unification of traded shares expanding minority rights.

B20 (Digital Inclusion)
CEO co-chair of the Digitization Task Force at B20, a forum that provides public policy recommendations to the G20.

Multisector Partnerships
Active participation in associations and other initiatives for digitization and sustainability such as the Global Compact, ABRASCA, CEBDS, among others.

In line with Telefónica's global strategy, which in 2018 launched its **first SDG framework** as a result of a natural integration of sustainability into the company's practices and a step forward in the integration of its sustainability strategy into its business strategy, Telefônica Brasil has also decided to link its financing to relevant ESG commitments for the company, stakeholders and the social, economic and geographic context in which it operates.

For the selection of KPIs and targets, Telefônica Brasil conducted a study to assess the topics with the **greatest potential for society and with strategic importance** for the company in two dimensions, environmental and social, considering the aspects: double materiality, link with the strategy, ESG trends, additionality and importance for the market and Sustainability/ESG specialists (represented by the weighting of sector-based scores from the ESG indices and ratings).

In this context, ESG topics with consolidated advances in recent years, such as Renewable Energy and Electronic Waste Management, or which have regulatory or market objectives, such as network expansion, were not considered as they are already linked to internal and external mechanisms that boost them in the organization. Thus, Telefônica Brasil chose to select KPIs and targets that convey to stakeholders how the company wants to achieve its goals: based on a **diverse and inclusive team** and processes guided by a **low carbon economy**.

Learn more about Telefônica Brasil's sustainability strategy and main lines of action in the company's Annual Reports.

Rationale for the Issuance

In acknowledgment of its joint responsibility to uphold the sustainable finance market to realize the significant efforts needed to transition to a sustainable economy, Telefônica Brasil decided to create this Sustainability-Linked Financing Framework (the "Framework").

Thus, this Framework will: (i) enable the company to align its financing strategy, mission and sustainability objectives and targets; (ii) allow and facilitate the channeling of proceeds from institutional investors and customers into investments that contribute to a transition to a low-carbon economy; and (iii) enable the company to contribute to the overall development of the sustainable finance market, emphasizing the importance of the communication sector in the implementation and achievement of the UN's Sustainable Development Goals.

Telefônica Brasil intends to use this Framework as a unified suite of Sustainability-Linked Financing Instruments ("SLIs") that will include, but is not limited to Sustainability-Linked Bonds (SLBs), Sustainability-Linked Loans (SLLs), and other securities, bilateral transactions, etc.

With this Framework, Telefônica Brasil will further contribute to climate change mitigation, incentivizing market players to do their part in promoting financial instruments linked to ESG goals. To that end, Telefônica Brasil will commit to ambitious, relevant, and material ESG objectives, setting ambitious timelines for their execution. Telefônica Brasil's Framework provides a high-level approach to its Sustainability-Linked Financing Instruments and investors should refer to the relevant documentation for any specific new issuance.

Telefônica Brasil may enter into different financing agreements that may or may not be aligned with this Framework in terms of KPI's, scope, SPT's or other aspects.

Alignment with the Sustainability-Linked Principles

This Framework has been established in accordance with the (i) Sustainability-Linked Bond Principles 2020[1] ("SLBP"), published by the International Capital Market Association ("ICMA") aiming to encompass future issuances in the capital markets and (ii) Sustainability-Linked Loan Principles 2021[2] ("SLLP"), published by the Loan Markets Association ("LMA") aiming to encompass bilateral or syndicated loans with financial institutions and/or multilateral agencies.

The SLBP and the SLLP, or the Sustainability-Linked Principles ("SLP") are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked financing by clarifying the approach for issuance of a SLIs. Our Sustainability-Linked Financing Framework is in alignment with the five core components of the SLBP and SLLP:

1. Selection of Targets and Key Performance Indicator (KPI)
2. Calibration of Sustainability Performance Targets (SPT)
3. Financial characteristics
4. Reporting
5. Independent verification of the components listed in items 1-4 above

SLIs can be any type of instrument in which the financial and/or structural characteristics may vary according to the achievement (or not) of predefined sustainability goals. In this sense, Telefônica Brasil is explicitly committed to future improvements in the targets of sustainability performance that are relevant, essential, and material to the company's business, within a predetermined schedule. As a result, SLIs are a forward-looking, performance-based instruments. The proceeds of SLIs are intended to be used for general purposes; hence, the use of proceeds is not a determinant in our categorization.

Telefônica Brasil is committed to the Sustainable Development Goals (SDGs) and recognizes that the engagement of the private sector is essential to accelerate the fulfillment of the 2030 Agenda. Recently, Telefônica Brasil conducted the "SDG Action Manager" to evaluate the contribution of its business to the SDG agenda. Through this strategy, the company has been committed to generating a positive impact through customer experience, ethics and transparency, diversity and supply chain. Likewise, within its operations, Telefônica Brasil follows the 2030 Agenda principles, linking its projects and activities to the related SDGs.

1. Please check the SLB Principles at https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf
2. https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/

Management Overview - Key Performance Indicators Themes

CLIMATE

Telefónica Group's Climate Goals

Objectives in line with the Science Based Targets initiative (SBTi) and contributing to the 1.5°C scenario:

- Reduce Scope 1 and 2 emissions globally by 80% by 2030, and 90% in main markets* by 2025 compared to 2015;
- Neutralize residual emissions in main markets* in 2025, considering Scopes 1 and 2;
- Reduce CO_2 emissions in the value chain by 39% by 2025 and achieve zero net emissions by 2040 (base year 2016);
- Continue using 100% electricity generated from renewable sources in main markets*, promoting development with long-term energy purchase contracts and more self generation;
- Reduce energy consumption per traffic unit (MWh/PB) by 90% by 2025, compared to 2015;
- Contribute to customers avoiding the emission of 12 million tons of CO_2 annually through connectivity and Eco Smart solutions in 2025.

*Main markets: Germany, Brazil, Spain

Telefônica Brasil 's Climate Change strategy is based on three pillars:

1. MITIGATE YOUR IMPACT

Own Operations: Since Nov/2018, **100% of the electricity supply** has come from renewable sources, which allowed to reduce direct emissions by 76% in 2021, compared to 2015. The company is investing in **Distributed Generation Projects**, with the forecast of reaching more than 80 plants by the end of 2022. Since 2019, the company is also Carbon Neutral, offsetting direct emissions that could not be avoided by the purchase of carbon credits from projects that value the conservation of the Amazon and promote sustainable forest management.

Value Chain: Telefônica Brasil launched in 2021, the **Carbon Program in the Supply Chain**, aimed at promoting the mobilization and training of suppliers that have CO_2-intensive activities. For customers, the company provides the **Eco Rating** seal, which rates the sustainability of mobiles, thus encouraging manufacturers to improve them. Through the **reuse of customer equipment** (modems and decoders), the company avoids the purchase of new equipment and, therefore, contributes to the reduction of emissions. Telefónica Group also works with other operators in working groups in **JAC (Joint Audit Cooperation)** and **GSMA**, as well as in multi-stakeholder initiatives.

2. LEVERAGE OPPORTUNITIES THROUGH PRODUCTS AND SERVICES

Telefônica Brasil believes that **technology is crucial in the transition to a greener society**. For this, the company provides new solutions that have the potential to decarbonize various value chains. The connectivity provided by the company reduces the need for travel, allowing teleworking and video conferencing. Digital services, such as IoT, Cloud and Big Data, enable the customer to use more efficiently resources such as energy and water, improvements in traffic planning and reduction of greenhouse gas emissions. Through these products, Telefônica Brasil seeks **to boost the low-carbon economy by shortening distances through the digital connection**.

3. ADAPT TO CLIMATE RISKS

Risks associated with the context of climate change are included in the company's overall risk assessment. Periodically, a qualitative and quantitative evaluation is carried out, considering the physical and transition risks in the medium and long term. **100% of the operations nationwide are evaluated**, considering the asset base raised at the beginning of 2021.

DIVERSITY

Since 2018, Telefônica Brasil has developed the **Vivo Diversity Program**. The Program has four affinity groups (Women, Pride [LGBTQIA+], Afro and Equal [People with Disabilities]). Each pillar has a dedicated structure of executive sponsors, committees and affinity groups with the active participation of employees.

A fundamental pillar of its culture, diversity is a strategic aspect for Telefônica Brasil. The company believes that the diversity of people, experiences, cultures, behaviors, skills and attitudes is a **differential of innovation**, working continuously to reflect in its almost 33 thousand employees the plurality of the Brazilian population.

Telefônica Brasil also uses the brand's voice to promote affirmative action and inspire a future that is more technological, diverse and inclusive. On this front, the company promotes actions and debates aimed at society. To strengthen the agenda of the theme, the company also participates in external movements: *Coalizão Empresarial para Equidade Racial e de Gênero, Centro de Estudos das Relações de Trabalho e Desigualdades - CEERT, Movimento + Mulher 360*, and Women's Empowerment Principles by UN, among others.

Main initiatives of the Vivo Diversity Program

- Manifesto for Diversity, adhering to the Company's Global Diversity and Inclusion Policy;
- Creation of committees and affinity groups;
- Diversity Executive Committee led by the CEO;
- High leadership's support for the program;
- Changes in recruitment and selection practices;
- Exclusive Career Development and Mentoring Programs;
- Training and awareness programs for managers and employees;
- Goals and indicators monitored through the Responsible Business Plan (RBP), approved by the Board of Directors.

Diversity Committee

Composed of executives and led by the company's CEO, with the objective of monitoring KPIs and validating new initiatives

Diversity Team

Responsible for governance and implementation of strategic actions

Diversity Subcommittees

4 subcommittees with employees representing Affinity Groups and proposing new initiatives.
Each subcommittee acts on one of the following pillars:

Women	Pride	Afro	Equal

Affinity Groups

Composed of employees to debate, propose actions and promote engagement in the theme

Selection of the Key Performance Indicators

KEY PERFORMANCE INDICATOR 1 (“KPI1”): Reduce greenhouse gas emissions by at least 40% (scope 1) by 2027 compared to 2021.

Rationale for KPI 1 Selection:
In the journey to neutralize residual emissions, one of the pillars of Telefônica Brasil’s management is the **reduction of emissions from its own operations** (Scopes 1 and 2). Own emissions consist of direct and indirect CO2 emissions from the company’s daily activity due to fuel consumption, refrigerant gas leaks and electricity use.

In November 2018, the company started to consume 100% renewable electricity, which allowed it to achieve **zero emissions of Scope 2** (market approach) and a reduction of more than 70% of its emissions in absolute terms in 2019. From then on, efforts to reduce emissions from its operations are directed to Scope 1. Also, since 2019, reducing own emissions is one of the goals linked to the executives’ variable remuneration and the employees’ program of participation in the results.

KPI1 is an offshoot of the climate targets established by the Telefônica Group, approved by the Science Based Targets initiative (SBTi) and adherent to the 1.5°C scenario.

Selected KPI (“KPI 1”)
Reduction of scope 1 greenhouse gases (direct emissions).

Baseline
December 31, 2021

Rationale for the selection of the 2021 Baseline
Following the SBTi guidelines, the year 2021 was chosen because it is the most recent period with available data. The year selected is after the achievement of zero emissions in Scope 2 (market approach), which until 2018 represented the majority of its own emissions. From then on, additional reductions related to the operation refer to actions in its own network and buildings, that is, focused on Scope 1.

Methodology
The calculation of KP1 considers the total emissions of Scope 1 referring to Telefônica Brasil. The emissions accounting has been carried out since 2010 in accordance with GHG Protocol guidelines. For the calculation of global and country-specific emissions, the Telefônica Group uses an internal system called Sygris. The Greenhouse Gas Inventory is available in the Public Emissions Registry, a platform developed by the Brazilian GHG Protocol Program. Since 2012, the inventory, whose data are secured by a third party, receives the Gold Seal of classification on the platform.

KPI 1 Boundary:
Scope 1 emissions referring to Telefônica Brasil S.A.

SDG Alignment

SDG 7:
7.a *By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology*
SDG 13:
13.1 *Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries*

KEY PERFORMANCE INDICATOR 2 ("KPI2"): Achieve a value equal to or greater than 30% of leadership positions by black people by 2027.

Rationale for KPI 2 Selection

According to IBGE[3] data, in 2020, the occupied population of white color or race earned, on average, 73.3% more than that of black color or race. Except for minor fluctuations, these results have been found since 2012. The Corporate Racial Equity Index (*Iniciativa Empresarial pela Igualdade Racial*, 2021)[4] shows that the participation of blacks in Brazilian companies is only 15.8% in management and supervision positions.

Telefônica Brasil understands that the private sector has an important role to play in repairing this historical imbalance. Strengthening the presence of **blacks in prominent and decision-making positions** in organizations encourages more professionals to aim for similar positions, in addition to contributing to a cultural change and strengthening the image of black protagonism within society.

In addition, in the Telecommunications and Technology sector, where Telefônica Brasil is part, **developing innovative and inclusive solutions** depends on the exchange between different experiences and cultures. Diverse leaders allow these new initiatives to advance in the company and materialize in products and services.

Race is one of the strategic pillars of action within the company's Diversity Program. On this front, the focus is on expanding the presence of black professionals within the organization, including leadership positions.

Selected KPI ("KPI 2")

Percentage of black people in leadership positions (Supervisors, Coordinators, Managers, Senior Managers, Directors, Vice Presidents and CEO/COO).

Baseline

December 31, 2021

Rationale for the selection of the 2021 Baseline

The year 2021 was chosen because it was the most recent year for which final values were available when the targets were established.

Methodology

For KPI 2, Telefônica Brasil uses employee self-declaration to define black employees, according to IBGE (Brazilian Institute of Geography and Statistics) criteria. The company also defines as leadership the positions of Supervisors, Coordinators, Managers, Senior Managers, Directors, Vice Presidents and CEO/ COO. The positions of Supervisors and Coordinators were included because they correspond to management and leadership positions in sectors.

KPI2 is updated daily and monitored weekly by a team dedicated to the Diversity Program. For monitoring, the company uses an automated dashboard generated from People Analytics systems and tools. Monthly, the advances are presented to the Executive Committee. Gaps and improvement opportunities identified are addressed by squads and multidisciplinary teams from various areas.

KPI 2 Boundary

Own employees at the national level. Considers the companies Telefônica Brasil S.A., Fundação Telefônica e Terra Networks Brasil S.A.

SDG Alignment

***10.2** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.*

3. Brazilian Institute of Geography and Statistics - IBGE. Synthesis of Social Indicators. An analysis of the living conditions of the Brazilian population 2021 (In Portuguese). Rio de Janeiro, 2021. Available in: https://biblioteca.ibge.gov.br/visualizacao/livros/liv101892.pdf
4. *Iniciativa Empresarial pela Igualdade Racial*. Corporate Racial Equity Index (IERE) (In Portuguese). 2021. Available in: https://iniciativaempresarial.com.br/wp-content/uploads/2022/03/1637190012872_1637189991576_indice_de_equidade_IERE_2021_Versao_online_FINAL5.pdf

KEY PERFORMANCE INDICATOR 3 ("KPI3"): Achieve a value equal to or greater than 40% of black people in the workforce by 2027.

Rationale for KPI 3 Selection

According to IBGE data (2019)[5], 56% of the Brazilian population is black, but data from the *Iniciativa Empresarial pela Igualdade Racial* (2021)[6] show that less than 30% of employees present in companies are black people.

Telefônica Brasil's commitment is to seek to increasingly reflect the diversity of the Brazilian population in its workforce. In addition, one of its strategic pillars of people management is to **attract and retain outstanding professionals**, which includes having black talent in all areas of the company. The company understands that this step is essential to develop these professions and allow them to reach strategic positions at all hierarchical levels, including leadership.

The company recognizes the power that digitization has for the development of people and companies, and achieving this potential is only possible through diverse and multicultural teams, which can **reflect on business solutions to the needs of Brazilian society**. Expanding the representation of blacks in the company, besides generating important results for the country in terms of reducing social inequality and strengthening the role of black professionals in the labor market, is also understood as a competitive differential.

Race is one of the strategic pillars of action within the Company's Diversity Program. On this front, the focus is to expand the presence of black professionals within the organization.

Selected KPI ("KPI 3")

Percentage of black people in the workforce

Baseline

December 31, 2021

Rationale for the selection of the 2021 Baseline

The year 2021 was chosen because it was the most recent year for which final values were available when the targets were established.

Methodology

For KPI 3, Telefônica Brasil uses employee self-declaration to define black employees, according to IBGE (Brazilian Institute of Geography and Statistics) criteria. KPI3 is updated daily and monitored weekly by a team dedicated to the Diversity Program. For monitoring, the company uses an automated dashboard generated from internal People Analytics systems and tools. Monthly, the advances are presented to the Executive Committee. Gaps and improvement opportunities identified are addressed by squads and multidisciplinary teams from various areas.

KPI 3 Boundary

Own employees at the national level. Considers the companies Telefônica Brasil S.A., Fundação Telefônica e Terra Networks Brasil S.A.

SDG Alignment

10 REDUCED INEQUALITIES

10.2 *By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.*

5. Brazilian Institute of Geography and Statistics - IBGE. National Survey by Continuous Household Sample - Continuous PNAD. General Characteristics of Households and Residents. 2019 (In Portuguese). Available in: https://biblioteca.ibge.gov.br/visualizacao/livros/liv101707_informativo.pdf
6. Business Initiative for Racial Equality. Corporate Racial Equity Index (IERE) (In Portuguese). 2021. Available in: https://iniciativaempresarial.com.br/wp-content/uploads/2022/03/1637190012872_1637189991576_indice_de_equidade_IERE_2021_Versao_online_FINAL5.pdf

KEY PERFORMANCE INDICATOR 4 ("KPI4"): Achieve 40% occupancy of executive leadership positions by women by 2027.

Rationale for KPI 4 Selection

According to a survey conducted by Grant Thornton (2022)[7] only 38% of leadership positions in Brazil are held by women. In a survey conducted by IBGE[8] in 2020, only 37.4% of women held management positions. In the technology sector, in which Telefônica Brasil fits, the scenario is more challenging. According to data from the British Council (2022)[9], the proportion of women in leadership positions in Science and Technology is between 0% and 2% in Brazil.

Increasing the representation of women leaders, especially in the Technology sector, is important to **create references for other women to assume leading positions in this segment**. In a context where digitization is increasingly relevant in the business environment and in society, professionals in technology areas will be prominent in the workplace. Therefore, the advancement of women in technical and technology areas is essential to ensure a more egalitarian society.

For Telefônica Brasil, the inclusion of women in leadership positions stimulates creativity and strengthens the organization's management capabilities. For the company, making the differentials present in female professionals to reach prominent positions is a **strategic advantage**. In this sense, one of the pillars of the company's Diversity Program is gender, working so that unconscious biases do not prevent qualified women from reaching leadership positions in the company.

Selected KPI ("KPI 4")

Percentage of women in executive leadership positions (Managers, Senior Managers, Directors, Vice Presidents and CEO/ COO).

Baseline

December 31, 2021

Rationale for the selection of the 2021 Baseline

The year 2021 was chosen because it was the most recent year for which final values were available when the targets were established.

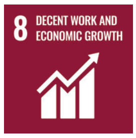
Methodology

KPI4 is updated daily and monitored weekly by a team dedicated to the Diversity Program. For monitoring, the company uses an automated dashboard generated from internal People Analytics systems and tools. Monthly, the advances are presented to the Executive Committee. Gaps and improvement opportunities identified are addressed by squads and multidisciplinary teams from various areas.

KPI 4 Boundary

Own employees at the national level. Considers the companies Telefônica Brasil S.A., Fundação Telefônica e Terra Networks Brasil S.A.

SDG Alignment



5.5 *Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.*

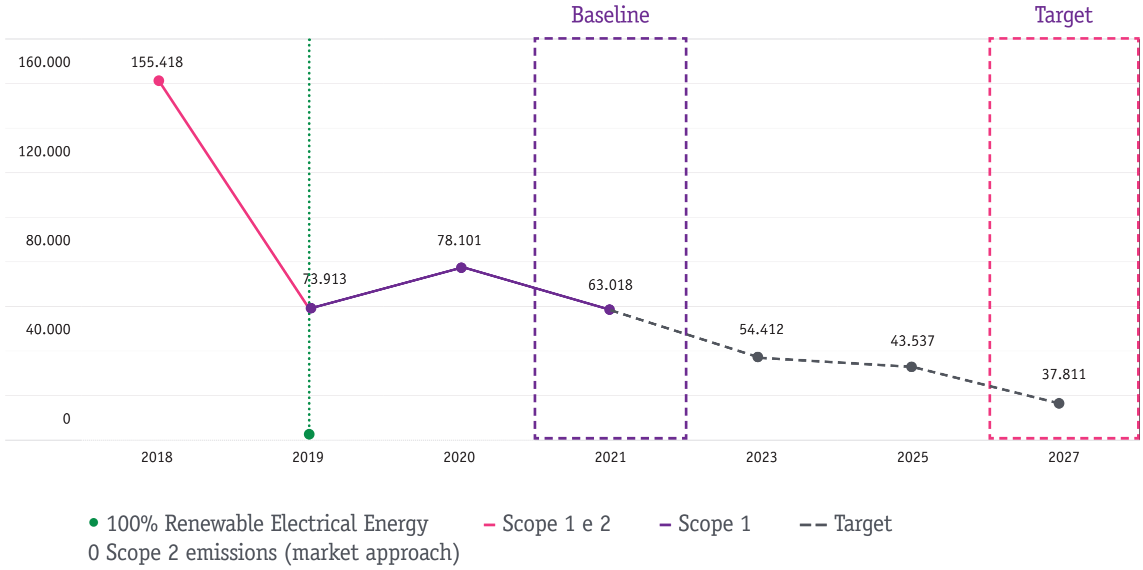
8.5 *By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.*

7. Grant Thornton. Women in Business. 2022. Available in: https://www.grantthornton.global/en/insights/wib-2022-campaign-landing-page/
8. Brazilian Institute of Geography and Statistics. Gender statistics: social indicators of women in Brazil (In Portuguese). 2021. Available in: https://biblioteca.ibge.gov.br/visualizacao/livros/liv101784_informativo.pdf
9. British Council. AN UNBALANCED EQUATION: INCREASING THE PARTICIPATION OF WOMEN IN STEM IN LAC. (In Portuguese) 2022. Available in: https://www.britishcouncil.org.br/sites/default/files/policypapers-cilac-gender-pt.pdf

Calibration of the Sustainability Performance Targets

Aware of the significance of the company's commitments and challenges, Telefônica Brasil has selected the following Sustainability Performance Targets:

Sustainability performance target 1 ("SPT 1"): 40% reduction of scope 1 greenhouse gas emissions by 2027 compared to 2021



Baseline

December 31, 2021

Baseline Value

Scope 1 (tCO2e)	63.018
Fugitive emissions (tCO2e)	53.663
Mobile fuel combustion (tCO2e)	6.539
Stationary fuel combustion (tCO2e)	2.816

Observation Date(s)

December 31, 2023

December 31, 2025

2027 Target

37.811 tCO2e

Factors that support the achievement of the target

Telefônica Brasil's Scope 1 emissions come from three sources: stationary combustion (fuel consumption in generators), mobile combustion (fuel consumption in the fleet) and fugitive emissions (refrigerant gas refills in air conditioning equipment). These last two sources represent more than 95% of the company's emissions, for which we will work on the following fronts:

Vehicle fleet: (i) migration to ethanol supply in the flex fleet and (ii) replacement of part of combustion vehicles by electric vehicles.

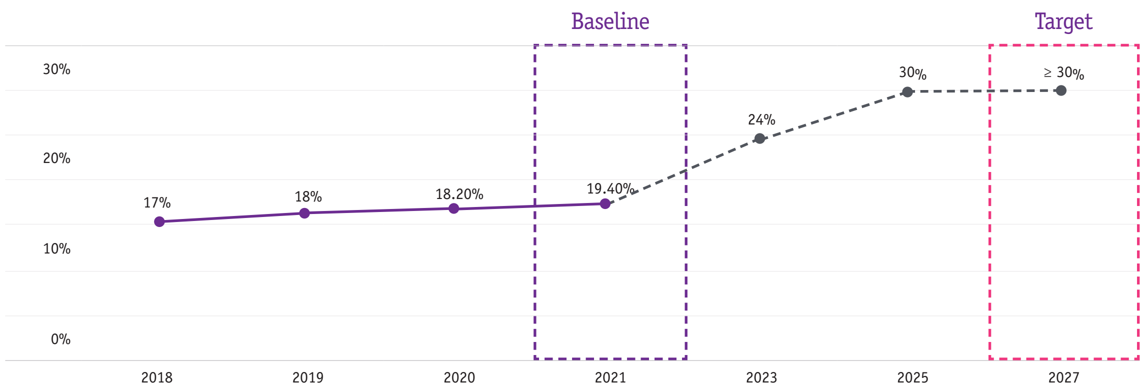
Air conditioning: (i) gas retrofit and replacement of air conditioning machines for equipment using gases with lower global warming potential; (ii) mitigation of operational failures and leaks, through the digitization of processes; (iii) demobilization of buildings and central compaction and consequent reduction of emitting equipment.

Factors that pose risks to the achievement of the target

Vehicle fleet: (i) variations in fuel prices; (ii) uncertainties regarding the availability of electric vehicles in the Brazilian market; (iii) lack of infrastructure in Brazil to charge electric vehicles; (iv) lack of network capable of performing maintenance in electric vehicles.

Air conditioning: to maximize the impact of retrofit and machine change, technological advances are needed in air conditioning equipment and in the types of gases with lower global warming potential than those currently commercially existing in Brazil, considering the need for a telecommunications company.

Sustainability performance target 2 ("SPT 2"): ≥30% of blacks in leadership positions by 2027



Baseline
December 31, 2021

Baseline Value
19.4%

Observation Date(s)
December 31, 2023

December 31, 2025

2027 Target
Value equal to or greater than 30%

Factors that support the achievement of the target
To achieve the expected results, the Diversity Program has strategies across the company's processes, including recruitment, development, and mentoring actions, as well as awareness-raising initiatives.

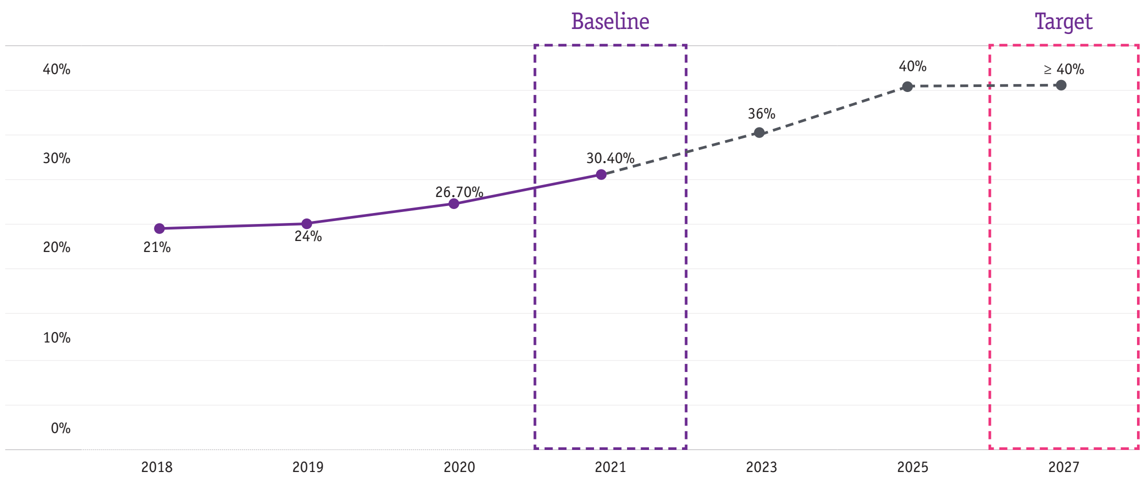
Recruitment
Telefônica Brasil has changed its recruitment guidelines to stimulate the participation and selection of blacks in the processes of hiring leaders. Among the actions are: (i) encourage the participation of at least one black candidate among the finalists for leadership positions; (iii) dissemination of leadership vacancies internally, encouraging the application of minority groups, including blacks; (ii) exclusive recruitment actions aimed at black candidates.

Development and Mentoring
Understanding existing singularities, the company has actions focused on black talents, working potentialities and challenges specific to this audience. Among the actions are: (i) exclusive career development program for black employees; (ii) mapping black successors as potential leaders.

Awareness
The company develops a series of initiatives and discussions for leaders and employees focused on the racial theme, such as: (i) training on the theme of diversity and elimination of unconscious biases for leadership, encouraging them to constantly seek increasingly diverse teams; (ii) training and communication actions on the theme of black representation for all employees, addressing issues such as racial literacy, colorism, black protagonism, among other topics; (iii) mandatory diversity courses for all employees.

Factors that pose risks to the achievement of the target
The main risks involve: (i) low proportion of blacks participating in selection processes for leadership positions; (ii) turnover of black employees in leadership positions; (iii) unconscious biases that can negatively impact the hiring process of diverse employees, including black people in leadership positions. To mitigate these risks, the company carries out affirmative contracting actions, in addition to including the theme of diversity in a transversal way in the processes of performance evaluation and mobility. Monthly, indicators are monitored by the Executive Committee to identify opportunities and redirect efforts. In addition, the company trains, and shares diversity goals with all executives to disseminate responsibility for the theme throughout the organization.

Sustainability performance target 3 ("SPT 3"): ≥40% of black people in the workforce by 2027



Baseline
December 31, 2021

Baseline Value
30.40%

Observation Date(s)
December 31, 2023
December 31, 2025

2027 Target
Value equal to or greater than 40%

Factors that support the achievement of the target
To achieve the expected results, the Diversity Program has strategies incorporated in the processes of recruitment and retention of professionals, as well as awareness actions focused on the racial theme.

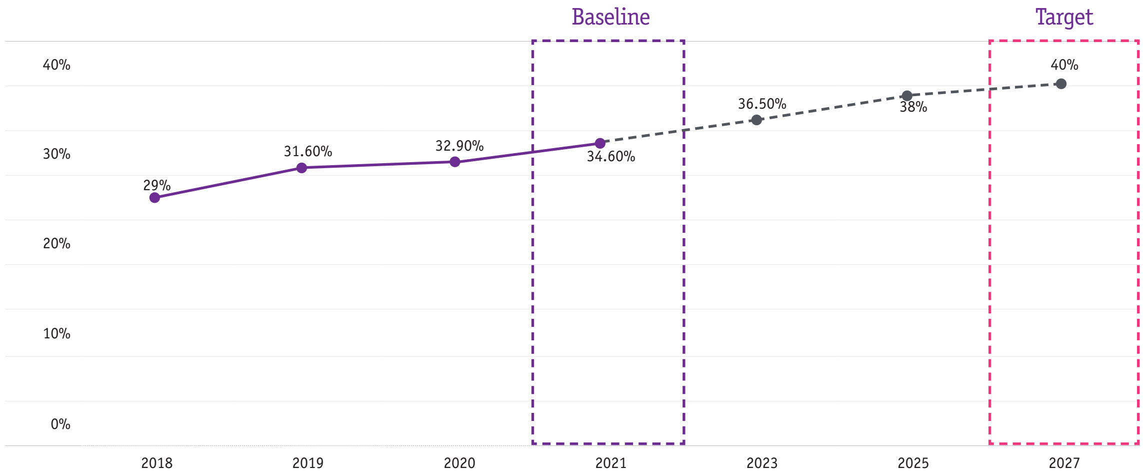
Recruitment
Telefônica Brasil has made changes in its recruitment practices and selection processes aimed at including diverse professionals, specifically the black public. Among the fronts of action are: (i) hiring processes with exclusive vacancies for blacks; (ii) elimination of selection barriers in selection processes, stimulating the participation of diverse candidates; (iii) engagement and training of internal recruiters to reinforce the company's diverse positioning in the selection processes.

Attraction and Retention
The company stimulates an internal environment free of prejudice and develops actions so that it's positioning in Diversity is beyond its borders. For Telefônica Brasil, these actions are important to make your organization increasingly attractive to external talents, especially diverse talents, supporting the process of attracting and retaining these professionals. Among the actions are: (i) investment in diversity initiatives aimed at society, strengthening this aspect as an important asset of its brand; (ii) internal actions to strengthen the racial theme and an inclusive culture, such as affinity group with the participation of employees aimed at discussing actions to advance racial representation in the company.

Awareness
The company develops a series of initiatives and discussions for leaders and employees focused on the racial theme, such as: (i) training on the theme of diversity and elimination of unconscious biases for leadership, encouraging them to constantly seek increasingly diverse teams; (ii) training and communication actions on the theme of black representation for all employees, addressing issues such as racial literacy, colorism, black protagonism, among other topics; (iii) mandatory diversity courses for all employees.

Factors that pose risks to the achievement of the target
The main risks involve: (i) low proportion of blacks participating in selective processes; (ii) turnover of black employees. To mitigate these risks, the company carries out affirmative contracting actions, in addition to including the theme of diversity in a transversal way in the processes of performance evaluation and mobility. Monthly, indicators are monitored by the Executive Committee to identify opportunities and redirect efforts. In addition, the company trains and shares diversity goals with all executives to disseminate responsibility for the theme throughout the organization.

Sustainability performance target 4 ("SPT 4"): 40% of women in executive leadership positions by 2027



Baseline
December 31, 2021

Baseline Value
34.6%

Observation Date(s)
December 31, 2023
December 31, 2025

2027 Target
40%

Factors that support the achievement of the target
Under the Diversity Program, actions are developed focused on the gender pillar and aimed at leadership, including selection initiatives, mentoring and career acceleration, as well as training and awareness-raising actions.

Recruitment
Telefônica Brasil included actions specifically focused on gender in its hiring and selection procedures. Among the actions are: (i) encourage the participation of at least one female candidate among the finalists for leadership positions; (ii) dissemination of leadership positions internally, encouraging the application of minorities groups, including women; (iii) recruitment actions exclusively focused on women.

Development and Mentoring
Understanding the existing specificities, the company has exclusive actions, aimed at particular challenges of career development of the female audience. Among the actions are: (i) talent database of women professionals considered as high performance, for the development of exclusive actions aimed at leadership; (ii) mapping successor women as potential leaders; (iii) exclusive mentoring program for women; (iv) Exchanges of knowledge between women and the company's senior female leadership, aiming to discuss key issues for career development.

Flexible Policies
Telefônica Brasil presents a series of actions and benefits aimed at reconciling motherhood with career, aiming to retain and encourage women to continue and develop in the company after maternity leave. Among the actions are: (i) Milk extraction rooms in some administrative buildings; (ii) flexible hours for female employees who are breastfeeding; (iii) daycare and babysitting assistance; (iv) six-month parental leave.

Awareness
The company develops communications and discussions focused on the theme of gender, such as: (i) training in diversity and elimination of unconscious biases for leadership, encouraging them to constantly seek increasingly diverse teams; (ii) training and communication actions that address career themes for women, such as: impostor syndrome, work and maternity, women in tech, among others; (iii) mandatory diversity courses for all employees.

Factors that pose risks to the achievement of the target
The main risks involve: (i) low proportion of women participating in selection processes for executive leadership positions; (ii) employee turnover in executive leadership positions; (iii) unconscious biases that can negatively impact the hiring process of diverse employees, including women in leadership positions. To mitigate these risks, the company carries out affirmative contracting actions, in addition to including the theme of diversity in a transversal way in the processes of performance evaluation and mobility. Monthly, indicators are monitored by the Executive Committee to identify opportunities and redirect efforts. In addition, the company trains and shares diversity goals with all executives to disseminate responsibility for the theme throughout the organization.

Sustainability-linked Instrument Characteristics

The proceeds of Telefônica Brasil's SLIs will be used for general corporate purposes but may also be allocated for specific purposes, as it will be described in the appropriate SLI documentation.

Additionally, the interest rate on the SLIs, in the form of coupon step-ups and/or step-downs, will be linked to reaching SPTs in relation to key performance indicators as described above which are core, relevant and material to Telefônica Brasil's business, as follows:

- The KPIs do not reach the SPTs on the target observation date;
- The verification (as per the Verification section of this Framework) of the SPTs is not provided and made public by the time of the notification date, as defined in the financial instrument´s documentation; and/or
- Telefônica Brasil fails to provide reasonable notice as of the Notification date related to reaching the SPTs, as defined in the financial instrument´s documentation.

The step-up and/or step-down adjustment as well as the notification date, as applicable, will be specified in the relevant documentation of the specific transaction.

Certain potential events, such as significant acquisitions, divestitures, mergers, or changes in the regulatory environment, or in the political and economic environment can substantially impact the calculation of the KPI and may require the restatement of the SPTs and/or pro-forma adjustments of the baselines or KPI Scope. Any such readjustment will be communicated by Telefônica Brasil's to its investors.

Annual Reporting

On an annual basis, and whenever relevant for assessing the trigger of the SPTs performance leading to a potential coupon adjustment, Telefônica Brasil will report and keep readily available via its corporate sustainability report or similar report on its website, the following information required to calculate or observe the performance of the selected KPIs in relation to Sustainability Performance Targets:

i. Up-to-date information on the performance of the selected KPIs, including the baseline used where relevant;

ii. A verification assurance report relative to the SPTs outlining the (i) performance against the SPTs comparing the latest status of the KPI and the baseline, (ii) the related impact, (iii) timing of such impact, and (iv) impact on the instrument's characteristics (if any); and

iii. Any relevant information enables investors to monitor the progress of the SPTs.

Information may also include, when feasible and possible:

iv. Qualitative or quantitative explanations on the contribution of the main factors to the evolution of the performance/KPIs, on an annual basis;

v. Illustration of the positive sustainability impacts of the performance improvement; and/or

vi. Any re-assessments of the KPIs and/or restatement of the SPTs and/or pro-forma adjustments of baselines or KPIs scope.

Telefônica Brasil may also opt to disclose additional information in relation to the use of proceeds (like allocation and eligibility criteria), although this will not be mandatory for the SLI purpose.

Verification

Annually, and whenever relevant for assessing the SPTs performance leading to a potential coupon adjustment, Telefônica Brasil will seek independent and external verification of our performance against the SPTs for the corresponding KPIs by a qualified external reviewer with relevant expertise. The performance verification against the SPT will be made publicly available on the company's website.

Telefônica Brasil will also obtain and make publicly available a Second Party Opinion (SPO) and/or another external review from consultants with recognized ESG expertise to provide an opinion on the sustainability benefit of this Framework as well as the alignment to the SLPs. The SPO will also be available on Telefônica Brasil's investor relations website, as well as the SPO provider's website.

Review

Telefônica Brasil will review this Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to the best practices in the market. Telefônica Brasil will also review this Framework in the event of material changes in the methodology, KPIs and/or the SPT's calibration. Such a review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of a qualified provider of second party opinion.

Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external verifier. The updated Framework, if any, will be published on Telefônica Brasil's website and will replace this Framework.

Disclaimer

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The information and opinions contained in this Framework are provided as of the date of this Framework and are subject to change without notice. None of Telefônica Brasil or any of its affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Telefônica Brasil policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights, or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by the Telefônica Brasil and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Telefônica Brasil as to the fairness, accuracy, reasonableness, or completeness of such information. This Framework may contain statements about future events and expectations that are "forward-looking statements" and are generally identified through the inclusion of words such as "aim," "anticipate," "believe," "drive," "estimate," "expect," "goal," "intend," "may," "plan," "project," "strategy," "target" and "will" or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any Sustainability-Linked securities to fulfill environmental and sustainability criteria required by prospective investors.

This Framework does not create any legally enforceable obligations against Telefônica Brasil; any such legally enforceable obligations relating to any Sustainability-Linked Securities are limited to those expressly set forth in the legal documentation governing each such series of Sustainability-Linked Securities. Therefore, unless expressly set forth in such legal documentation, Telefônica Brasil's failure to adhere or comply with any of the terms of this Framework, including, without limitation, failure to achieve any sustainability targets or goals set forth herein, will not constitute an event of default or breach of contractual obligations under the terms and conditions of any such Sustainability-Linked Securities'. Factors that may affect Telefônica Brasil's ability to achieve any sustainability goals or targets set forth herein include (but are not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, and other challenges.


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