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**TELEFONICA UK LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**Stakeholder Interaction – S172(1) Statement**

We understand the importance of regular constructive two-way discussions with our stakeholders on how we create value and the delivery of our strategy and success. This is balanced against the needs of the business as we face industry-wide and macroeconomic challenges.

This statement explains how the Board (including the Executive Management Team, (EMT)) have acted in good faith in the interest of the shareholders and the group as a whole, whilst having regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. This includes our obligation to have regard to the long-term sustainability and our stakeholders when taking principal decisions of strategic importance which are significant to any of our key stakeholders.

Stakeholder engagement helps us understand how we can deliver a successful and sustainable business as an integrated communications provider to residential customers and businesses in the UK. Our Corporate Governance framework includes procedures to support the assessment of those matters necessary for us to make informed decisions in our delivery of the long-term success and sustainability of the Company and the Group as a whole. For administrative efficiencies, key stakeholder engagements are conducted at operational level led by the Executives each a sponsor for their business area.

**Customers**

Our customer base comprises of both consumer, business and public sector customers. Further details are discussed in the “Customers” section of the Strategic Review on page 11.

Customer satisfaction is essential to our long-term success and putting our customers at the heart of what we do is a foundational strategic priority for the organisation. Our large customer bases have broad needs and expectations, and the business remains increasingly focused on meeting and exceeding as many of them as possible as the household and businesses economic outlook continues to prove challenging.

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Topics	How we engage and monitor	Outcomes
<p>Outstanding connectivity on the move</p> <p>Make every interaction easy</p> <p>Entertain and inspire our customers</p> <p>Build a real relation with our customers</p> <p>Cost-of-living</p>	<p><b>How we engage:</b></p> <p>We stay as close to our customers through an extensive primary insight calendar and advanced data analytics, ensuring we understand and meet their needs, by:</p> <p>Continually interacting with all customer types with different product holdings, at different lifecycle stages.</p> <p>Real-life customer panels to understand customer perspective on drivers of our business in depth.</p> <p><b>How we monitor:</b></p> <p>Analyse customer journeys through customer journey measurement framework.</p> <p>Customer insight from NPS, Social Media communities.</p> <p>Customer segmentation embedded across the organisation.</p>	<p>We continue to differentiate from other providers through initiatives including inclusive EU Roaming and Priority.</p>

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**People**

Our people are core to the continuing success of our business and the wellbeing of our people is important to us. Further details of our People strategy can be found in the “Employees” section on page 13.

Topics	How we engage and monitor	Outcomes
<p>Employee retention and commitment</p> <p>Transformation and integration as one business</p> <p>Wellbeing, health and safety</p>	<p><b>How we engage:</b></p> <p>Quarterly live streams lead by the CEO and the Executives including Questions and Answers session.</p> <p>Workplace, an interactive social platform two-way communication.</p> <p>Executives tour across the country and corporate sites. The focus was to have a dialogue on the cost-of-living with employees.</p> <p>Roadshows and corporate sites visit “Big Conversations” to discuss with the Executives.</p> <p><b>How we monitor:</b></p> <p>Pulse surveys with a wide range of questions to understand the views and perceptions of employees.</p>	<p>We launched two inaugural leadership development programmes: Galvanize for High Potential and SWITCH for high-potential future black leaders.</p> <p>All outgoing employees are offered a minimum of two-months support covering career coaching, access to workshops covering a range of topics, and online resources.</p> <p>2022 cost-of-living response continued to deliver into July this year to all employees earning a basic salary of £35,000 or less, with instalments paid between November 2022 and July 2023.</p> <p>2023 Annual Salary Review (<b>ASR</b>) reflected the continued economic challenges with a tiered ASR.</p> <p>Launched our Health and Safety Week supporting our commitment to ensuring ‘Everyone Home Safe and Well’.</p>

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**Suppliers**

We rely on a number of partners for many aspects of our operations, including building our networks, supporting our customers and providing the products and services used by our customers. We procure these products and services both directly and via the procurement services of Telefónica and Liberty Global. The Board and EMT recognise that effective management of suppliers is important to the business reputation and long-term success of the group.

Topics	How we engage and monitor	Outcomes
<p>Supply continuity and protecting service quality against a volatile geopolitical background has remained a focus in 2023 as we have sought to guard against any risks arising from:</p> <ul style="list-style-type: none"> <li>• Latest COVID-19 impacts</li> <li>• The ongoing Ukraine conflict</li> <li>• Increased energy prices</li> <li>• Concerns over growing China /Taiwan tensions</li> <li>• UK and global inflationary trends</li> <li>• Potential impacts from the ongoing Israel Palestine conflict</li> </ul>	<p>We have maintained a dialogue with selected suppliers and our external procurement service providers to understand any potential exposure and impacts to our supply chains sharing permitted intelligence on such issues as necessary.</p>	<p>Despite the volatile geopolitical background our supply chains have proven to be resilient, and we have successfully maintained supply and customers service quality. Key to this success is a willingness to work with proactively with suppliers to address any issues that may impact quality or their ability to deliver as planned.</p>
<p>Working with our partners and the sector to tackle climate change.</p>	<p>To address climate change, we set bold Net Zero goals and have integrated requirements into our procurement process to support them. These requirements are designed to make supplier decarbonisation and climate protection an outcome of our engagement with major suppliers and to align suppliers to our declared ESG goals.</p> <p>We have identified the contributions made by individual suppliers to our carbon footprint and engaged with the most significant suppliers to seek to reduce their carbon impacts.</p> <p>We have worked with suppliers to identify and drive opportunities to decarbonise specific products.</p> <p>We periodically measure our carbon footprint to ensure we are proceeding toward our ESG goals.</p>	<p>We are in the process of assessing our 2023 supply chain emissions and are continuing to engage our suppliers on emission reduction. To bring greater focus and pace to this engagement we are working with leading sustainability resources within the sector to target and engage suppliers that make the greatest contribution to our carbon footprint, establishing emission baselines, and solution level emission reduction plans with them. Where possible we are ensuring the reduction plans are underpinned by solution life cycle assessments. Additionally, we are assessing and developing the emission management capability of selected sectors of our supply chain.</p>

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<p>Strengthening, clarifying, and consolidating our supply chain standards and expectations of suppliers.</p>	<p>During 2023 we consulted and developed a new supplier facing code of conduct that adopts the latest best practice and that combines the codes historically used by our individual operating business into a single Virgin Media O2 Supplier code of conduct that will be launched in the coming year and used by all Virgin Media O2 business.</p> <p>We continue to practice risk-based supply chain sustainability due diligence working independently, with our shareholder parents and with sector initiatives to ensure compliance with our standards and to develop sustainability in our supply chains.</p>	<p>We identified no significant sustainability concerns in our supply chains in 2023.</p>
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**Regulators**

Our regulators are important to delivering on our purpose, a connectivity champion and provide services to our customers at affordable prices in a competitive market whilst taking into account the wider economic challenges impacting businesses and customers. Further details of our engagement with our regulators can be found on page 48 of the Corporate Governance Statement.

<b>Topics</b>	<b>How we engage and monitor</b>	<b>How we are responding</b>
<p>Spectrum utilisation and opportunity.</p> <p>Ofcom’s publication ‘Our expectations of mobile providers’ with respect to 3G and 2G switch off.</p> <p>Future spectrum availability.</p> <p>We responded to Ofcom’s publication of spectrum roadmap and WRC-23 preparation as our position.</p> <p>Net neutrality.</p>	<p><b>How we engage:</b></p> <p>Regular CEO roundtables, executive steering working groups.</p> <p>Monthly working groups on matters of that important to the delivery of our purpose.</p> <p>Informal and formal meetings on cost-of-living.</p> <p><b>How we monitor:</b></p> <p>Participation in formal consultation and response to publications.</p>	<p>Ofcom amended the 2.6GHz TDD spectrum licence to unrestricted use which would enable us to have more flexibility on the use.</p> <p>We announced that we will switch off 3G in 2025.</p> <p>Ongoing discussion on the long-term sustainability of the mobile spectrum as our position, is that additional spectrum must be reserved for mobile use.</p> <p>Ofcom announced the review of linking in-contract price increases to inflation, and have decided that customers must now be told upfront in pounds and pence about any price rises included in contracts. This will be applied from January 2025 and we are reviewing our options.</p> <p>Conducted a review of the net neutrality framework, Ofcom has published updated guidance, affording ISPs and MNOs significantly more flexibility to manage traffic on their networks and develop innovative new services.</p> <p>We will now engage with Government as we seek more substantive reform via changes to the underlying legislation.</p>

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**Investors**

In addition to the shareholders of the joint venture, we have a significant number of debt holders. Regular engagement with our shareholders, bondholders, banks, ratings agencies, sell-side analysts and industry analysts is important and we seek to embrace it as part of a two-way communication in conjunction with our shareholders. We understand that it is important to promote the interests and remain committed in delivering value for stakeholders.

Topics	How we engage and monitor	Outcomes
<p>Ensure shareholders, including Investor Relations (IR) teams, have an understanding of Virgin Media O2 including the latest trends, risks and opportunities.</p> <p>Ensure current and potential investors understand the investment proposition of the business, directly and through other external stakeholders including ratings agencies and sell-side analysts.</p>	<p><b>How we engage</b></p> <p>Explaining the investment proposition, actual performance, and answering the questions of investors and other external stakeholders.</p> <p>Ensuring our employees have an understanding of investor and other external sentiment towards Virgin Media O2 and the wider market.</p> <p><b>How we monitor</b></p> <p>Daily monitoring of sentiment from all external parties towards Virgin Media O2, both directly and through our shareholders. Including updates to the EMT on investor and analyst sentiment and reports on shareholder share price performance.</p> <p>The CEO and CFO directly meeting with investors and other external stakeholders to improve understanding of the sentiment of the business.</p>	<p>Delivery of quarterly results reporting, explaining the performance and developments of the business.</p> <p>Support for shareholder quarterly reporting including CEO attendance at quarterly shareholder earnings calls and Capital Market Days.</p> <p>Engage investors through management and IR meetings in conjunction with shareholder IR teams.</p> <p>Updates of the corporate website for significant news.</p>