

Global Environmental and Energy Policy

Telefónica, S.A.

Telefónica, S.A.
Approved by the Board of Directors of Telefónica, S.A. at its meeting
of 11 December 2024

1st Edition - 11 December 2024

Changes and updates to the Policy

Edition	Changes
1.0 (2024)	First edition of the Global Environmental and Energy Policy. In order to simplify Telefónica's regulatory framework, the Environmental Policy and the Energy Management Policy have been integrated. In addition, a conceptual and terminological alignment with the Corporate Sustainability Reporting Directive (CSRD) has been carried out.

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1. Introduction

The Information and Communication Technologies (ICT) sector and the use of digital technologies play a key role in addressing many of today's environmental issues such as climate change and resource scarcity. However, it is important to manage the environmental impact they also generate.

At Telefónica, we are working to minimise our negative impact on the environment while maximising the positive impact of digitalisation, a key ally in the green energy transition.

This Policy has been drawn up in accordance with the international standards ISO 14001:2015 and ISO 50001:2018. It sets out the environmental and energy management guidelines which are one of the pillars of our sustainability strategy, a strategy that focuses on mitigating our impact on the environment, seizing the opportunities provided by the transition and adapting to and managing our environmental risks.

Our Responsible Business Principles are the common thread in Telefónica's relationship with its stakeholders and include specific commitments on the most significant aspects of our operations, such as energy consumption, greenhouse gas (GHG) emissions and the reuse and recycling of electrical and electronic equipment. They therefore form the basis for building a company that actively contributes to decarbonisation and the circular economy.

2. Purpose

The purpose of this Policy is to define the principles that guide the Company, globally and locally, to support and improve its environmental and energy performance. It therefore serves as a point of reference for all its employees, while allowing Telefónica to strengthen its position regarding environmental matters and respond to the main demands of its stakeholders.

In addition, in order to achieve the expected results of the Environmental Management Systems (EMSs) and Energy Management Systems (EnMSs) implemented at the Telefónica Group, this Policy:

- is based on an approach of managing impacts, risks and opportunities (IROs) related to the environment, energy and climate change.
- ensures compliance with environmental and energy regulations.
- forms part of the Telefónica Group's sustainability Due Diligence process.
- provides a common framework for defining environmental and energy targets, goals and actions.
- promotes sustainable practices throughout the value chain.
- encourages the development of digital solutions that help our customers tackle environmental challenges.

3. Scope of application

This Policy is global in scope and is mandatory for all Telefónica Group companies. For these purposes, the Telefónica Group shall be understood to be those companies in whose share capital Telefónica, S.A. holds, directly or indirectly, a majority of the shares, holdings or voting rights, or those in which it has appointed or has the power to appoint a majority of the members of the governing body, in such a way that it effectively controls the company.

In its condition of parent company of the Group, Telefónica, S.A. is in charge of establishing the bases, instruments, and mechanisms necessary for an adequate and efficient coordination between this Company and all the other companies that make up the Group; all of the aforementioned without prejudice to, and without impairing, the autonomous decision-making capacity of each of said companies, in accordance with their own corporate interests and the legal obligations established with respect to the members of their administrative bodies.

4. Objectives

Our sustainability strategy seeks to minimise the impact on the planet and maximise the environmental benefits that our digital products and services generate for society as a whole.

By proactively advocating for environmental protection through digitalisation, we demonstrate our commitment as a company to **protecting the environment** and to **efficient energy management**.

The most significant environmental issues for Telefónica are **climate change**, **resource use** and the **circular economy**. We are committed to making our best efforts in order to achieve zero net emissions and become a Zero Waste company.

In addition, biodiversity protection and water consumption are other environmental aspects that are continuously assessed, despite currently not being not significant given our activities. In any case, we will act where appropriate, to implement both possible mitigations and other positive contributions.

4.1 Climate change

With the goal of achieving **net zero emissions by 2040**, including our value chain, we continue on the path to becoming a decarbonised company, decoupling our business growth from GHG emissions. We improve the Company's ability to adapt to climate change, incorporating physical and transition risks into its management.

In this regard, our action lines are based on:

- Manage the risks and opportunities arising from climate change.
- Set specific short-, medium- and long-term energy and climate change targets, which are Science-Based and externally validated.

- Make progress in the use of energy from renewable sources, in terms of both fuel and electricity.
- Maintain a complete, accurate and transparent GHG emissions inventory, which considers the three scopes and is the basis of our climate strategy.
- Promote innovative measures that progressively lead us towards having net zero emissions.
- Offset/neutralise residual emissions in accordance with Company requirements.
- Minimise the impact of refrigerant gases.
- Promote energy efficiency measures, in both the design and operation of facilities and infrastructures.
- Gradually incorporate criteria for internalising the cost of energy and carbon, such as the total cost of ownership (TCO) and internal carbon pricing.

4.2 Circular economy

The reuse and recycling of electrical and electronic equipment is the basis for minimising our impact. Our main aim is to become a **Zero Waste** company. We are therefore committed to preventing our waste from being incinerated or ending up in landfill, by returning it to the production cycle as raw materials in the value chain.

Our circularity measures are aligned with the waste hierarchy, which establishes the priorities and actions for the promotion of the circular economy, both internally and externally, with our suppliers and customers:

- Maximise the opportunities offered by the circular economy based on the reduction of impacts (extension of the useful life of products, recovery of raw materials, etc.).
- Leverage the benefits of digitalisation to improve traceability and the reverse logistics of equipment.
- Reduce waste generation and encourage reuse and recycling.
- Promote with manufacturers the integration of environmental criteria in the design and purchase of equipment.
- Offer our customers environmental information, as well as refurbishment and/or buyback programmes that allow us to extend the useful life of equipment.

4.3 Environmental management and other aspects

- **Protect the environment** and reduce our environmental footprint, assuming **pollution prevention** as one of our fundamental principles. This, is specifically demonstrated through the responsible deployment and operation of the network, encompasses:
 - **assessing our nature-related impacts, dependencies, risks and opportunities**, promoting sustainable practices in our operations and minimising our environmental impact.

- **protecting biodiversity** and ecosystems with a focus on threatened and protected species.
- **achieving efficient water management** in our infrastructures.
- Ensure **compliance with current legislation** and other requirements that the organisation endorses. We also adopt internal regulations or international standards, in line with the precautionary principle and a life cycle perspective, which we regard as mandatory.
- Have a **Due Diligence process** in place as part of our commitment to respect human rights and the environment, as set out in the Corporate Sustainability Due Diligence Directive (CSDDD), without prejudice to any local legislation that may be applicable.
- Implement and maintain EMSs and EnMSs, where deemed necessary, based on their potential impact and risk level. These systems work to prevent and minimise our environmental impact while contributing to process efficiency and to reducing energy consumption. This helps us to **effectively manage environmental risks**, which are included in the Group's global risk management model.
- Incorporate environmental sustainability aspects into **mergers and acquisitions** processes, as well as **infrastructure sharing agreements or arrangements**, to the extent that they may be relevant and within the scope of this Policy.
- Apply **continuous improvement principles** to our activities, products and services through the systematic evaluation of **environmental and energy performance**. In addition, targets are set for both energy efficiency and environmental matters, ensuring that the necessary information and resources are available to achieve them.
- Promote **innovation** in products and services that contribute to addressing environmental challenges such as climate change, pollution, scarcity of resources such as water, circularity and the loss of biodiversity, taking into account the reduction of their environmental impact from the design stage.
- Foster **collaboration** with other **organisations/companies**, governments, local communities, NGOs and other key actors for the promotion of a circular and decarbonised economy, making digitalisation a key tool for tackling environmental challenges.
- Promote greater **awareness and engagement** among employees, customers or other stakeholders, conveying the importance of responsible resource consumption, energy efficiency and environmental protection.
- Actively engage with the **value chain** to drive advances that allow us to, for example:

- continuing to work with our suppliers to reduce their own emissions.
 - generating energy savings for customers through the use of more efficient equipment.
 - collaborating with the sector to promote the adoption of the best possible management practices.
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- Communicate, **transparently and reliably**, our environmental and energy performance, as well as that of our products and services (sustainability information) to all **stakeholders**, identifying their **needs and expectations** in these areas. Telefónica uses internal and external communication channels to disseminate this Policy.
 - Incorporate environmental aspects (carbon footprint, energy efficiency, circular economy) into our **artificial intelligence (AI) principles**, with the aim of reducing their impact and maximising their benefits.

5. Implementation

The Global Sustainability (ESG) Department of Telefónica, S.A. is responsible for leading the implementation of this Policy at a global level, while its counterpart areas in the countries do so locally.

Regarding the implementation of specific energy management objectives, leadership is shared with the Telefónica, S.A. GCTIO Area and is implemented locally by the different Group companies.

The Global Sustainability (ESG) Department is also responsible for regularly reviewing this Policy, based on the evolution of the Company's sustainability strategy and/or other relevant aspects such as organisational, legal or business changes that may occur at any given time.

In any case, the cross-cutting nature of environmental and energy management affects the management of other areas of the Company (operations, logistics, purchasing, safety, etc.). Therefore, each of them must assume the responsibilities defined in the Company's Responsible Business Plan.

Environmental and energy performance is assessed at least annually by the Board's Sustainability and Regulation Committee.

6. Internal Audit

The Internal Audit Department may carry out any analyses and checks it deems appropriate to ensure that the aspects contained in this standard are applied correctly.

7. Entry into force

This standard shall come into force after its approval by the Board of Directors of Telefónica, S.A. and shall repeal those previously in force, in particular the Environmental Policy approved on 30 January 2019 (3rd edition) and the Energy Management Policy approved on 26 January 2022 (2nd edition).

8. Reference documents

Listed below are a number of documents that complement this Policy in relation to our environmental and energy management objectives:

- External / International references:
 - UNE EN ISO 14001:2015.
 - UNE EN ISO 50001:2018.
 - Corporate Sustainability Reporting Directive (CSRD).
- Internal references:
 - Responsible Business Principles.
 - AI Principles (AI Code of Conduct).
 - Internal regulatory framework:
 - Policy for the preparation and organisation of the Telefónica Group's Internal Standards and other Organisational Documents.
 - AI Governance Model Regulations.
 - Risk Management Policy.
 - Supply Chain Sustainability Policy.
 - Global Human Rights Policy.



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