

Telefónica Global Environmental Policy

Corporate Policy

Approved by: The Board of Directors of Telefónica S.A. at their meeting on 30th of January 2019.

Telefónica, S.A.
3rd Edition - January 2019

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1 INTRODUCTION

Telefónica's Environmental Policy is the reference document that guides the Company in the medium and long term in the development of its environmental strategy.

International certification standards, and in particular ISO 14001:2015, provide that companies must define, implement and maintain the *"environmental policy of the organisation and ensure that, within the defined scope of its environmental management system, it:*

- a) is suitable for the purpose and context of the organisation, including the nature, scale and environmental impacts of its activities, products and services;*
- b) provides a reference framework for the establishment of environmental objectives;*
- c) includes a commitment to the protection of the environment, including the prevention of pollution and other commitments relevant to the context of the organisation (for example, the sustainable use of resources, mitigation and adaptation to climate change and the protection of biodiversity and of ecosystems);*
- d) includes a commitment to comply with applicable legal requirements and other requirements which the organisation adopts;*
- e) includes a commitment to continuous improvement of the environmental management system for the improvement of the environmental performance.*
- f) is documented, implemented and maintained;*
- g) is communicated to all the people working for the organisation or on its behalf; and*
- h) is available to interested parties."*

Telefónica's "Principles of Responsible Business" include a commitment to the environment, under which we commit to the protection of the environment, minimising our negative impact on it and to the promotion of digital services with a positive impact on the environment.

2 OBJECTIVE

This Policy is based on three converging goals:

- Risk management and legal compliance in environmental matters.
- Improvement of eco-efficiency within the organisation.
- Promotion of digital solutions to help our customers to rise to the great environmental challenges which face the whole of society.

This Policy establishes the principles which guide the Company on a global and local level to support and improve its environmental performance. It is therefore a point of reference for all staff, while enabling Telefónica's public position on environmental matters to be strengthened, responding to the demands of our principal stakeholders.

It also provides a common reference framework for the establishment of goals and the taking of actions to secure the outcomes expected from the Telefónica Group environmental management system.

3 AREA OF APPLICATION AND SCOPE

The Environmental Policy has been developed in accordance with international standard ISO 14001:2015 and applies to all the companies in the Telefónica Group, regardless of location or business activity.

For these purposes, the Telefónica Group is all companies in which Telefónica S.A. holds, directly or indirectly, the majority of shares, interests, or voting rights, or to the governing or management body of which Telefónica S.A. has appointed, or is entitled to appoint, the majority of members, so that it effectively controls the relevant company.

Telefónica, S.A., as the ultimate parent company of the Group, is responsible for establishing the bases, tools and mechanisms required to adequately and efficiently coordinate Telefónica S.A. and all the other companies which make up the Group; none of which detracts from or impairs the autonomous decision-making capacity of each of those companies, in accordance with their own corporate interests and with the fiduciary duties owed by the members of their management bodies to their shareholders.

4 COMMITMENTS IN THE ENVIRONMENTAL POLICY

Telefónica believes in the power of digitalisation to offer new opportunities to people and to bring about positive change in society. Therefore, its Environmental Policy has the triple purpose of serving as support for environmental risk management and environmental compliance; minimising the environmental impact of its business; and finally, maximising the capacity of technology to tackle the environmental challenges facing society.

Information and Communications Technology (ICT) allows the Company to be more efficient in the use of natural resources and has an important part to play in solving many current environmental issues, such as climate change and the scarcity of resources.

All Telefónica Group companies undertake:

- a) To ensure **compliance with legislation** and other voluntary requirements relating to the environment both globally and locally. Following the precautionary principle, to adopt and commit to meeting supplementary internal and international standards.
- b) To implement and maintain **environmental management systems** that prevent and minimise the impact of business activities and infrastructures on the environment, under models of eco-efficiency and effective management of environmental risks, which form part of the global risk processes of the Company. To consider environmental risks in any process of merger or company acquisition.
- c) To apply principles of **continuous environmental improvement** in our business, products and services, through the systematic evaluation of environmental performance to define and attain ambitious goals at both global and local level, which will follow the guidance set out in this policy.
- d) To **protect the environment** and reduce our environmental footprint, through the responsible deployment and operation of the network, adopting the fundamental principles of prevention of pollution, efficient use of resources and the circular economy.

This commitment includes:

- The protection of **biodiversity** and ecosystems, as the core of the improvement of Telefónica's Natural Capital.
- Efficiency in the integrated management of water and the reduction of the **water footprint** of our operations.
- Maximising the opportunities offered by the **circular economy**, promoting the eco-design of our products and services, and minimising the impact of our waste, promoting reuse and recycling, and reducing the generation of hazardous waste.

- e) To move towards a **carbon-free company**, de-coupling the growth of our business from emissions of greenhouse gases (GHG), and adapting the Company ever more to climate change, incorporating the transition and physical risks of climate change in the management of the Company.

With this objective in mind, we will work on:

- Definition of GHG emission reduction targets, for Scope 1, 2 and 3, which are ambitious and science-based.
 - Transition to use of 100% renewable electricity.
 - Reduction in the use of fossil fuels.
 - Minimising the impact of refrigerant gases.
 - Introduction of energy efficiency measures.
 - Gradually incorporate innovative measures that will lead the company towards a zero net emissions scenario.
- f) To foster **innovation** in digital services and products that contribute to solving local and global environmental challenges such as climate change, pollution, scarcity of resources such as water, the circular economy and loss of biodiversity, but which also generate business for the Company.
- g) To **educate and raise awareness** among employees and customers, communicating the importance of respect for the environment.
- h) To promote best management practice and mandatory environmental standards among **our supply chain and partners**. To incorporate environmental criteria in our procurement, such as energy consumption, carbon emissions and levels of incorporated hazardous materials.
- i) To collaborate with **other organisations** in the promotion of a carbon-free and circular economy, promoting digitalisation to address the major environmental challenges of our time.
- j) To regularly and transparently **communicate** our performance to all stakeholders and addressing their environmental concerns.

5 IMPLEMENTATION

Telefónica S.A.'s Global Corporate Ethics and Sustainability Management Department is responsible for:

- defining the strategy and work strands in relation to environmental management on a global level;
- giving technical environmental advice to all sections and businesses of the Group;
- reporting to investors and other global stakeholders on Telefónica's work on the environment;
- annually reviewing this policy considering the development of the Group's environmental strategy.

The universal relevance of environmental issues means that they affect management of other areas of the Company (Risk, Operations, Marketing, Purchasing, etc.) and each of them must meet their responsibilities under the Responsible Business Plan of the Company.

6 CHANGES AND UPDATES TO THE POLICY

This text updates and replaces the Environmental Policy published and ratified on 27 May 2015.

VERSION	CHANGES MADE	APPROVED BY
1.0	First Edition	Board of Directors
2.0	Adaptation to the new requirements established after publication of the "normative of elaboration and organization of the normative framework" of Telefónica.	Board of Directors
3.0	Incorporation of commitments required by new version of standard ISO 14001:2015 and trends identified by analysts and shown in movements of international indices. For example, the explicit commitment to "protection of the environment" or the inclusion of commitments on the "Circular economy" or "decarbonization".	Board of Directors

ANNEX 1 - GLOSSARY:

- *Environmental aspect*: Element of an organisation's activities, products or services that interacts or may interact with the environment. A significant environmental aspect is that which has or may have one or more significant environmental impacts.
- *Environmental impact*: change to the environment, either adverse or beneficial, as the complete or partial result of an organisation's environmental aspects.
- *ISO 14001:2015* The standard ISO 14001 is an internationally accepted standard that defines the requirements to establish an effective Environmental Management System (EMS).
- *Environmental performance*: Assessable outcome associated with the management of environmental aspects. It may be related to quantitative or qualitative findings.
- *Environment*: Environment in which an organisation operates, including air, water, soil, natural resources, flora, fauna, humans and their interrelationships.
- *Continuous improvement*: recurring activity to improve environmental performance.
- *Environmental aim*: outcomes to achieve that an organisation establishes and which is consistent with its environmental policy.
- *Responsible Business Plan*: Telefónica's Strategic Sustainability Plan with a defined time frame.
- *Pollution prevention*: use of processes, practices, techniques, materials, products, services or energy to prevent, reduce or control (separately or in combination) the generation, emission or discharge of any pollutant or waste, to reduce adverse environmental impacts.
- *Responsible Business Principles*: Telefónica Group's Code of Ethics:
- *Risks and opportunities*: Potential adverse effects (threats) and potential beneficial effects (opportunities).
- *Management System*: a set of elements of an organisation which are interrelated or which interact to establish policies, objectives and processes for the achievement of those objectives.
- *Environmental Management Systems*: Part of the management system used to manage environmental aspects, meet legal requirements and other requirements, and address the risks and opportunities.