

Hybrid Sustainable Bond from Telefónica

FACT SHEET



Use of Proceeds

- **Proceeds to be allocated towards eligible investments:** mainly **Energy Efficiency** in the network transformation from copper to fibre optic but also **Inclusive Connectivity** accelerating deployment of broadband in unconnected or underserved rural areas and supporting **Employment Generation** and **Entrepreneurship**.
- **Investments for Green Projects** consist in shutting down legacy units, upgrading the network infrastructure and placement optimisation.
- **Investments for Social Projects** encompass the deployment or optimization of broadband connectivity in unconnected or underserved rural areas; and support the entrepreneurship ecosystem in regions where unemployment is a major issue.
- Eligible investments refer to **new investments** made after issuance **as well as any investments made 2 years prior to issuance**.

Impact of Green Projects

- New **fibre optic infrastructure**, as part of the network transformation, is a **key contributor to Telefonica's Net zero commitment by 2040 (including our value chain)**. To achieve this, we will **reduce our scope 1+2 emissions by 70% globally by 2025 from a 2015 base year** and have as an interim target the **total neutralization of the remaining emissions in our 3 main markets in the same year**.
- Telefonica has **global targets on energy and climate change that are aligned with the 1.5° scenario (validated by Science Based Target Initiative)** and the **electricity it consumes in its main markets is already 100% renewable**.
- **Migrating clients to fibre optic reduces environmental impact of networks by reducing energy consumption (85% per customer);** as well as reducing the need for cooling systems; reducing the need for buildings by 50%; and reducing the overall maintenance needs of the networks – all of which result in GHG emissions reductions.

The impact of **network transformation in Spain 2016-2020²**
(despite exponential increases in data traffic)

Emissions avoided³

103.372
tCO₂

Equivalent to the
carbon sequestered by
1.709.000 trees

Energy saved

396
GWh

- ✓ 7 times less energy (-85%) per customer
- ✓ 4 times distance capacity: freeing up infrastructure and allowing equipment to be recycled
- ✓ Equivalent to the consumption of 113.000 Spanish homes

- Fiber optic infrastructure and renewable energy generation contribute to the achievement of the **UN Sustainable Development Goals:**



7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

7.3 By 2030, double the global rate of improvement in energy efficiency

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

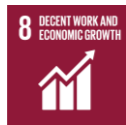
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Impact of Social Projects

- Many international reports ⁽⁴⁾ confirm the **relation between internet connectivity and economic development, highlighting its importance for economic growth.** Furthermore, the Sustainable Development Goals (SDG) stress the value of connectivity and ICT ⁽⁵⁾ solutions. As an example, GeSI (Global e-Sustainability Initiative) ⁽⁴⁾ has indicated that **digital access and mobile penetration could contribute to more than 65% of UN SDGs.**
- The **benefits are even greater for unconnected or underserved rural areas.** Telefonica has been committed to deploying and optimizing new broadband services in rural areas both in Latin America and Europe. Overcoming bandwidth inequality ensures a minimum download speed so that citizens are not excluded from services due to technical limitations.
- As for the support of the entrepreneurship ecosystem, it is important to note that **SMEs⁽⁶⁾ represent a significant socio-economic component in most developing countries, contributing up to 60% of total employment and up to 40% of national income (GDP) ⁽⁷⁾.** Telefónica has been supporting start-ups and SMEs through its open innovation accelerator initiative (Wayra) and its Venture Capital vehicles, which have already promoted the development of more than 500 startups and SMEs globally.
- Deployment/optimization of broadband connectivity in rural areas as well as the support of the entrepreneurship ecosystem in regions where unemployment is a major issue contribute to the achievement of the **UN Sustainable Development Goals:**



8.3: By 2030, encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

9.1: By 2030, develop quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being.

9.c: By 2030, significantly increase access to information and communications technology.

Annual Reporting

- Telefonica will provide impact reporting, at the level of each Green eligible category, which may include the following metrics:
 - ✓ energy consumption per data traffic (MWh/PB)
 - ✓ energy saved (in MWh)
 - ✓ estimated GHG Emissions avoided (tCO₂eq)
- Telefonica will provide impact reporting, at the level of each Social eligible category, which may include the following metrics:
 - ✓ population covered with broadband networks in unconnected or underserved rural areas
 - ✓ number of entrepreneurs / start-ups / SMEs supported or funded
 - ✓ estimated number of jobs created
- Reporting will be made publicly available in our website, first time in the last quarter of 2022. The reporting will be audited by PwC