Telefónica's Green Hybrid

August 2023

Use of proceeds

- Examples of eligible green projects according to Telefónica's Sustainable Financing Framework (updated July 2023):
  - Transformation and modernisation of telecommunications networks based on high-speed fixed and mobile networks, including supporting infrastructure and software to improve the energy efficiency of the networks, as well as self-generation of electricity according to Telefónica's Renewable Energy Plan, and development and implementation of digital products and services with a focus on saving energy and/or natural resources.
- Referred to new investments made after issuance and investments made up to 36 months years prior to issuance.

Green projects' impact

- Telefonica has global **targets** on energy and climate change **aligned with the 1.5° scenario** (validated by **Science Based Target Initiative**[2]) and the electricity consumed in its main markets is already **100% renewable**.
- New **high-speed telecommunication networks** as part of the fixed and mobile network's transformation, as well as **renewable energy**, are key contributors to Telefonica's emissions reduction target to **reduce scopes 1+2 GHG emissions by 90% in absolute terms in 2025 in our 3 main markets**.
- Some examples of impacts:
  - **Migrating clients to fibre optic reduces the environmental impact of networks by reducing energy consumption** (85% more efficient 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.
  - **Mobile network transformation with high speed technologies** is expected to represent an unprecedented, disruptive, technological change in many different economic sectors and in society over the next decade. For example, 5G is **up to 90% more efficient** in terms of energy consumption per traffic unit[3] and has much more capacity, so it will be able to provide increased services with a lower energy consumption.

Impacts[1]

+115.000 tCO_2 avoided emissions

+470.000 MWh of energy saved

SDG contribution

This issuance contributes to the achievement of the UN SDG

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

13.2 Incorporate climate change measures into the Company's policies and strategies through emission reduction programmes

Annual reporting

- Telefonica will provide impact reporting metrics on Green Projects, such as: energy consumption per data traffic (MWh/PB), energy saved (MWh), and estimated GHG Emissions avoided (tCO_{2eq})
- Reporting will be made publicly available on our website on an annual basis until proceeds are fully allocated. Allocation and impact reports may refer to proceeds from a portfolio of one or more outstanding issuances, in which case Telefónica will publish a single annual report containing the information.
- Third-party auditors will ensure the allocation and impact reports are consistent with Telefónica's Sustainable Financing Framework.

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1. Cumulative environmental impacts of the bonds issuances whose allocation report have already been published: green bond issued in February 2019, green hybrid issued in February 2020, sustainable hybrid issued in February 2021, sustainable hybrid issued in November 2021, and sustainable senior bond issued in May 2022.
2. The Science Based Targets Initiative is joint initiative of the UN Global Compact, Carbon Disclosure Project, World Resources Institute and WWF.
3. Based on several on-site research carried out with different vendors. https://www.nokia.com/about-us/news/releases/2020/12/02/nokia-confirms-5g-as-90-percent-more-energy-efficient/ or https://www.telefonica.com/en/communication-room/blog/telefonica-makes-progress-in-the-design-of-a-green-5g-network/