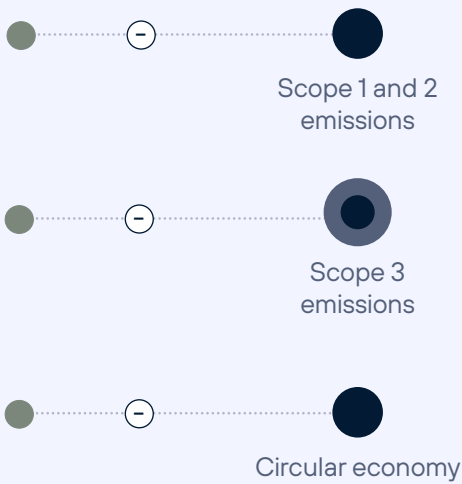# 6.

Contribution to the environment

We are committed to minimising our environmental impact and promoting the decarbonisation and circularity of the economies in which we operate.

This block takes into account our contribution to the environment in order to achieve more sustainable economic development. To this end, we assess the costs associated with the emissions and waste produced through our activities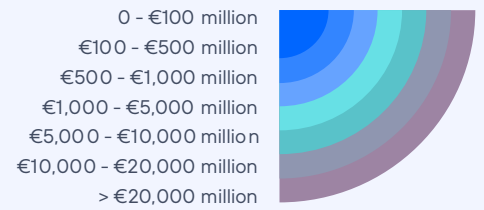. We also quantify the economic impacts resulting from the consumption of resources such as water. Lastly, we measure the environmental impact we have on biodiversity.

The material issues included in this section are:

- Climate change and energy management.
- Circular economy.
- Contribution to the decarbonisation of the economy.
- Other environmental aspects.

Scope 1 and 2 emissions

Scope 3 emissions

Circular economy

⊕ Positive impacts
⊖ Negative impacts

0 - €100 million
€100 - €500 million
€500 - €1,000 million
€1,000 - €5,000 million
€5,000 - €10,000 million
€10,000 - €20,000 million
> €20,000 million

Other environmental aspects

Water   Biodiversity

Contribution to the decarbonisation of the economy

€ We estimate a contribution to the environment in 2022 of approximately €2.5 billion.

1   2   3   4   5   6   7   8

The environmental awareness of governments, consumers, investors, employees and especially companies has increased in recent years. Companies play a key role in protecting the environment by promoting more sustainable activities and by collaborating with organisations and institutions that have these values integrated into their strategies.

At Telefónica we are working to try to decouple our growth from the impact we can have on our environment. We therefore believe it is vital to enhance the synergies between the digital, green and energy transition in order to achieve a competitive, resilient and sustainable economy.

Additionally, our sector is a facilitator of solutions for a digital and green transition with a strong capacity to reduce greeenhouse emisions for the whole economy.

6.1 Climate change and energy management

6.1.1 Scope 1 and 2 emissions

We want to minimise our footprint and harness digitalisation as a key tool in order to tackle environmental challenges.

Given the severity of the expected environmental impacts, societies must focus on curbing the main driver of climate change: greenhouse gas emissions. As a result, governments are trying to reduce their countries' carbon footprints by forcing the main emitters of greenhouse gases to recognise and internalise the impact they have.

At Telefónica we remain committed to the international targets for the fight against climate change,with the target of reducing 90% of Scope 1 and 2 emissions in our main markets by 2025 and achieving net zero emissions by 2040, including across the value chain. To this end, we are increasing the Group's sustainable financing, decreasing our dependence on fossil fuels, and integrating environmental criteria into decision making by implementing an internal carbon price to help us select more efficient systems and technologies, thereby reducing emissions across the entire life cycle. In this regard, we have quantified the externalities generated by our Scope 1 and 2 emissions.

Calculation

Scope 1 and 2 emissions generated in each region are multiplied by the average price of a tonne of CO_2 in 2022, provided by the EU Emissions Trading Scheme (EU ETS).

Indicators

- Scope 1 and 2 emissions. [7]
- Cost per tonne of CO_2 (EU ETS). [42]
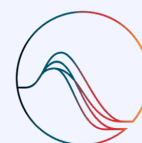
SDG

Stakeholders

 Shareholders and analysts

 Society

In seven years we have reduced our total emissions (Scopes 1, 2 and 3) by 51%, and we were the first telecommunications company to have its net zero targets for 2040 validated by the international body SBTi (Science Based Targets Initiative) under the new net zero standard.

SCIENCE BASED TARGETS

6.1.2 Scope 3 emissions

We work together with our main suppliers, as well as with the rest of the industry, to reduce our emissions across the value chain.

Of our carbon footprint, emissions from our value chain (Scope 3) are the largest. This is why, for several years now, we have had a partnership programme to reduce our suppliers' emissions, through which we analyse their climate maturities and help them reduce their carbon footprints.

In addition, to accelerate the decarbonisation process in the supply chain, we have incorporated a new climate change requirement in the procurement process and are working with other companies in the sector to develop and implement a common and robust climate strategy to meet our decarbonisation commitments and targets.

Calculation

Scope 3 emissions generated in each region are multiplied by the average price of a tonne of CO_2 in 2022, provided by the EU Emissions Trading Scheme (EU ETS).

Indicators

- Scope 3 emissions. [7]
- Cost of a tonne of CO_2 (EU ETS). [42]

SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Stakeholders

Partners and suppliers

Government entities

Society

1   2   3   4   5   6   7   8

6.2 Circular economy

To reduce our impact and encourage the reincorporation of materials into the production cycle, we promote ecodesign, reuse and recycling.

The transition to a circular economy is key to mitigating climate change because it promotes a more sustainable production and consumption model in which raw materials remain in production cycles for longer and can be used again. As a result, our priority is to increase repair, reuse and recycling, ensuring that the waste generated is not incinerated or sent to landfill, but is converted into raw materials that are reintroduced into the value chain.

At Telefónica, we work to extend the useful life of equipment and carry out internal eco-efficiency measures that help to reduce the risk of depleting natural resources and to cut greenhouse gas emissions. In this way, we not only reduce our environmental impact, but also achieve savings.

Calculation

The tonnes of e-waste produced or recycled are multiplied by the cost associated with generating one tonne of e-waste.

Indicators

- Tonnes of e-waste produced and recycled. [7]
- Unit cost linked to e-waste generation. [43]

SDGs

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Stakeholders

Customers

Society

Partners and suppliers

Government entities

Shareholders and analysts

Thanks to our circular economy measures, we recycle 98% of our waste. We aim to be a zero waste company by 2030.

1 2 3 4 5 6 7 8

6.3 Other environmental aspects

6.3.1 Water

We put specific measures in place to reduce water consumption and improve water efficiency.

Climate change and increased demand make access to the essential resource of water difficult.

At Telefónica we take specific measures to achieve efficient consumption, especially in water-stressed areas. These measures include the installation of water management systems and water pulse meters, preventive maintenance to avoid leaks, running awareness campaigns for employees and the inclusion of clauses in building maintenance and cleaning contracts encouraging responsible and efficient water use by our suppliers.

Calculation

Our net water consumption is multiplied by the AWARE factor, an indicator that captures its importance in terms of each region's water needs. To measure the economic impact, the cost of water production and delivery, as well as the cost of water treatment are taken into account over the total net tonnes of water consumed.

Indicators

- Net water consumption. [16]
- AWARE factor. [44]
- Cost of water production and delivery. [45]
- Cost of wastewater treatment. [45]

SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Stakeholders

Society

6.3.2 Biodiversity

We analyse the impact of our activities and operations on biodiversity and the natural environment in order to keep this impact to a minimum.

Biodiversity is essential for the processes that support all life on Earth. At Telefónica we are aware of the consequences that changes to biodiversity could have on human well-being and the balance of ecosystems, and we therefore try to reduce the impact of our activities and the impact on wild species and/or their natural habitats, especially in protected areas.

As a part of these efforts, we have quantified the impact on habitats caused by the deployment of our assets in the regions in which we operate.

Calculation

The economic impact per square metre is multiplied by the surface area affected by our activities.

Indicators

- Number of assets in 2021 and 2022. [46]
- Area impacted by Telefónica's activities in 2021. [16]

SDGs

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

Stakeholders

Partners and suppliers

Government entities

Society

1　2　3　4　5　6　7　8

6.4 Contribution to the decarbonisation of the economy

We develop new digital solutions to accelerate the decarbonisation and sustainable transformation of the economy.

The digital transition is a crucial means of reducing the carbon footprint and limiting global temperature rise to below 1.5C. That is why Telefónica offers services that generate environmental benefits; they reduce the consumption of energy, water and CO_2 emissions and boost the circular economy.

In this regard, our portfolio of Eco Smart services, verified by AENOR (an independent certifier), identifies the

solutions that contribute positively to environmental protection when used by our customers.

ECOSMART SERVICES

VERIFIED BY AENOR

Calculation

The tonnes of CO_2 avoided by Telefónica's customers when using our services are multiplied by the average price of a tonne of CO_2 provided by the European Union's Emissions Trading Scheme (EU ETS).

Indicators

- Tonnes of CO_2 avoided across the value chain. [7]
- Cost of a tonne of CO_2 (EU ETS). [42]
- Geographical distribution of Telefónica's sales. [7]

SDGs

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Stakeholders

Customers

Society

Partners and suppliers

Government entities

In 2022, thanks to the efficiencies generated by our connectivity and Eco Smart services, our customers avoided the emission of 81.7 million tonnes of CO_2.

1 2 3 4 5 6 7 8