



Assessment of nature-related impacts, dependencies, risks and opportunities

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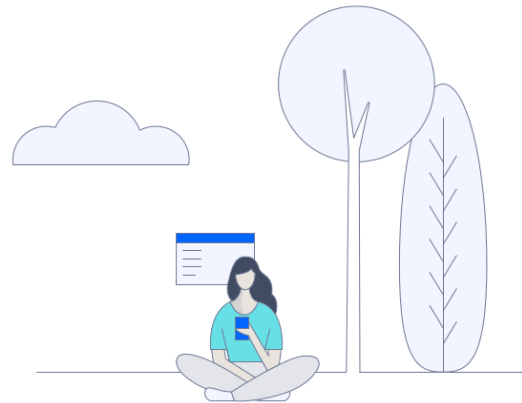
At Telefónica we are developing our **biodiversity strategy**, that will help us to strengthen our commitment to nature and to our stakeholders.

The Company's management of biodiversity risks and opportunities starts with an **assessment of dependencies and impacts**, which is the first step we have taken in this area.

The assessment scope includes our direct operations and those of our value chain (both upstream and downstream), which has allowed us to understand Telefónica's impacts and dependencies on different ecosystems, species and ecosystem services.

The following **internationally recognised protocols, methodologies and tools** were used for both projects:

- The Natural Capital Protocol (NCP), developed by the Capitals Coalition and the Endangered Wildlife Trust's Biological Diversity Protocol (BDP) for the 2019 assessment.
- ENCORE (from UNEP-WCMC) and the Sectoral Materiality Tool (from SBTN), for the impacts and dependencies assessment at a sectoral level (2023 and 2024).



The first biodiversity assessment identified and quantified the direct impacts of non-linear infrastructures across the countries in which we operate, obtaining results for each facility and its area of influence. A Geographic Information System (GIS) was used, cross-referencing the area occupied by our infrastructures with various layers of information about protected areas and species, which allowed us to determine our **impact on the quality of habitats and ecosystem services**.

The main finding of the study was that **98% of our facilities are located in habitats with low or very low biodiversity value**, such as urban areas, and we have no facilities located in habitats of high-biodiversity value, which means that the organisation has a relatively insignificant direct impact on biodiversity.

The second assessment involved an analysis of the contribution of Telefónica's economic activities to the main **drivers of biodiversity loss** globally (climate change, land use change, pollution, overexploitation of resources and invasive alien species), as well as the degree of **dependency of these activities on the ecosystem services** provided by nature, for direct operations, the upstream value chain (supply chain) and the downstream value chain.

The results of this second biodiversity assessment reveal that **Telefónica's main impacts take place in its value chain.**

- Upstream: impacts are related to land use change, water consumption, climate change and disturbances on biodiversity components.
- Direct operations: the main pressures are climate change and land use change, due to the energy consumption of telecommunications networks and land occupation (construction of base stations and laying of cables).
- Downstream: the pressures linked to environmental pollution are the most significant.







Telefónica's direct activities and those of its value chain **depend mainly on regulating ecosystem services**, i.e. those that provide protection from disruption to the production process, such as flood and storm protection or erosion control. In addition, our upstream value chain also depends on the availability of water as an input in the production process.

These assessments have formed the basis for **understanding our nature-related risks and opportunities** and improving our decision making in order to enhance the organisation's resilience, in line with the current leading reporting frameworks and initiatives, such as the TNFD¹.






¹The [Taskforce on Nature-related Financial Disclosures](#) (TNFD) is a global initiative that seeks to define the framework for financial reporting on nature-related issues. In September 2023, the TNFD published the final version of its recommendations and guidelines, which provide companies with a framework for identifying, assessing and managing nature-related risks and opportunities, and disclosing them, where applicable.

In 2024, using the WWF Biodiversity Risk Filter and WWF Water Risk Filter tools, we have identified the risks and opportunities of our main economic activities.

Although this is an initial qualitative identification process, we have identified the following **risks and opportunities related to biodiversity and natural capital** for Telefónica:

RISKS RELATED TO BIODIVERSITY AND NATURAL CAPITAL		
Physical risks	 Acute	<ul style="list-style-type: none"> Disruption of facility operations due to damage caused by extreme events (landslides, floods, cyclones or forest fires), which are not properly mitigated by ecosystem services.
	 Chronic	<ul style="list-style-type: none"> Increased energy and water costs, due to increased cooling needs (general increase in temperatures and decrease in the extent and condition of ecosystems that help mitigate the effects) and reduced availability of water resources. Need for investment in design, construction or renovation of facilities to adapt to climate change and biodiversity loss.
Transition risks	 Regulatory	<ul style="list-style-type: none"> Increased taxes due to operating in protected natural areas.
	 Reputational	<ul style="list-style-type: none"> Reputational impact linked to failure to deliver on biodiversity commitments (including climate change and water) or a lack of a commitment to tackling biodiversity loss. Reputational damage from social disapproval due to habitat degradation caused by the extraction of minerals used in the production of electronic equipment (supply chain).
	 Market	<ul style="list-style-type: none"> Consumers preferring other telecommunications companies (competitors) with higher ambitions and stronger biodiversity commitments. Reduced interest in the company among ESG investors due to poor performance on indices and standards, which require the disclosure of information on nature-related aspects.
	 Technology	<ul style="list-style-type: none"> Increased operational costs due to early withdrawal of technologies or equipment that have an impact on biodiversity.

OPPORTUNITIES RELATED TO BIODIVERSITY AND NATURAL CAPITAL

Business performance opportunities		<p>Resource efficiency</p> <p>Sustainable use of resources</p>	<ul style="list-style-type: none"> • Reduced operational costs and reduced dependence on natural resources by implementing actions to maximise resource efficiency (energy, water and materials). • Implementation of nature-based solutions in and around Telefónica's facilities, creating a protective environment that reduces erosion, minimises damage from extreme events and lowers ambient temperatures.
		<p>Products and services</p>	<ul style="list-style-type: none"> • Increased revenues from developing products and services aimed at decarbonising other economic sectors. • Growth in revenues due to developing products and services that help monitor and protect nature (fire prevention, smart agriculture, etc.).
		<p>Reputational capital</p>	<ul style="list-style-type: none"> • Reputational improvements arising from a commitment to biodiversity protection. • Attraction and retention of employees who value working at a company committed to the conservation of natural capital.
		<p>Financing</p>	<ul style="list-style-type: none"> • Access to new and more competitive financing sources connected to commitments and good environmental performance.
Sustainability performance opportunities		<p>Ecosystem protection, restoration and regeneration</p>	<ul style="list-style-type: none"> • Investment in projects that avoid ecosystem deforestation and degradation and in reforestation and restoration projects, which remove carbon from the atmosphere and have biodiversity co-benefits. • Substitution of minerals needed to produce electronic equipment with recycled or renewable resources (supply chain).

In short, at Telefónica we are opting for being more aware of our biodiversity-related impacts, dependencies, risks and opportunities, in order to be able to make more informed and efficient decisions and improve our relationship with nature.





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