



2026 Report

Telefónica's Green Financing Instruments

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1. Introduction

1. Introduction

Telefónica's mission is to deliver the best digital experience to all our customers by providing connectivity

Telefónica offers digital solutions that connect people through telecommunications networks that are environmentally and sustainably responsible

Telefónica is a telecommunications company listed on the world's leading stock exchanges with over 1 million shareholders. The Company has presence in 4 key¹ markets and employs over 82,000 people. As of the end of 2025, Telefónica recorded 326.1 million accesses, and revenues amounted to €35,120 million.

The company integrates sustainability into its strategy, designing action plans to tackle the impacts, risks and opportunities arising from the double materiality analysis.

Telefónica's sustainability strategy is structured in 3 initiatives:



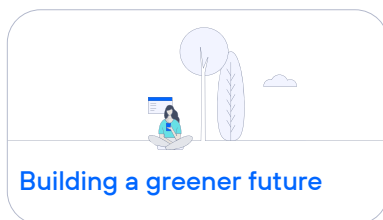
Presence in key
4 markets



82,655
Employees



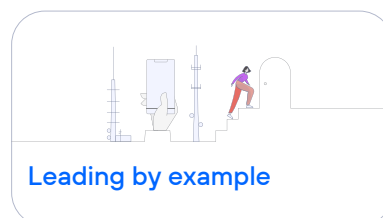
€35,120
million revenues 2025



- Minimise our environment impact - including achieving net-zero emissions and zero waste.
- Maximise our reach in providing products and services that decarbonise the economy.



- Reduce the digital divide with focus on connecting rural areas and digital skills.
- Ensure an inclusive working environment to attract retain the best talent, committed and diverse.



- Embed ESG in every area of our business with the highest ethical standards according to our Responsible business principles.
- Proactive engaging with suppliers to drive sustainability across our supply chain.
- Ensure the security, privacy, and confidentiality of customer data.

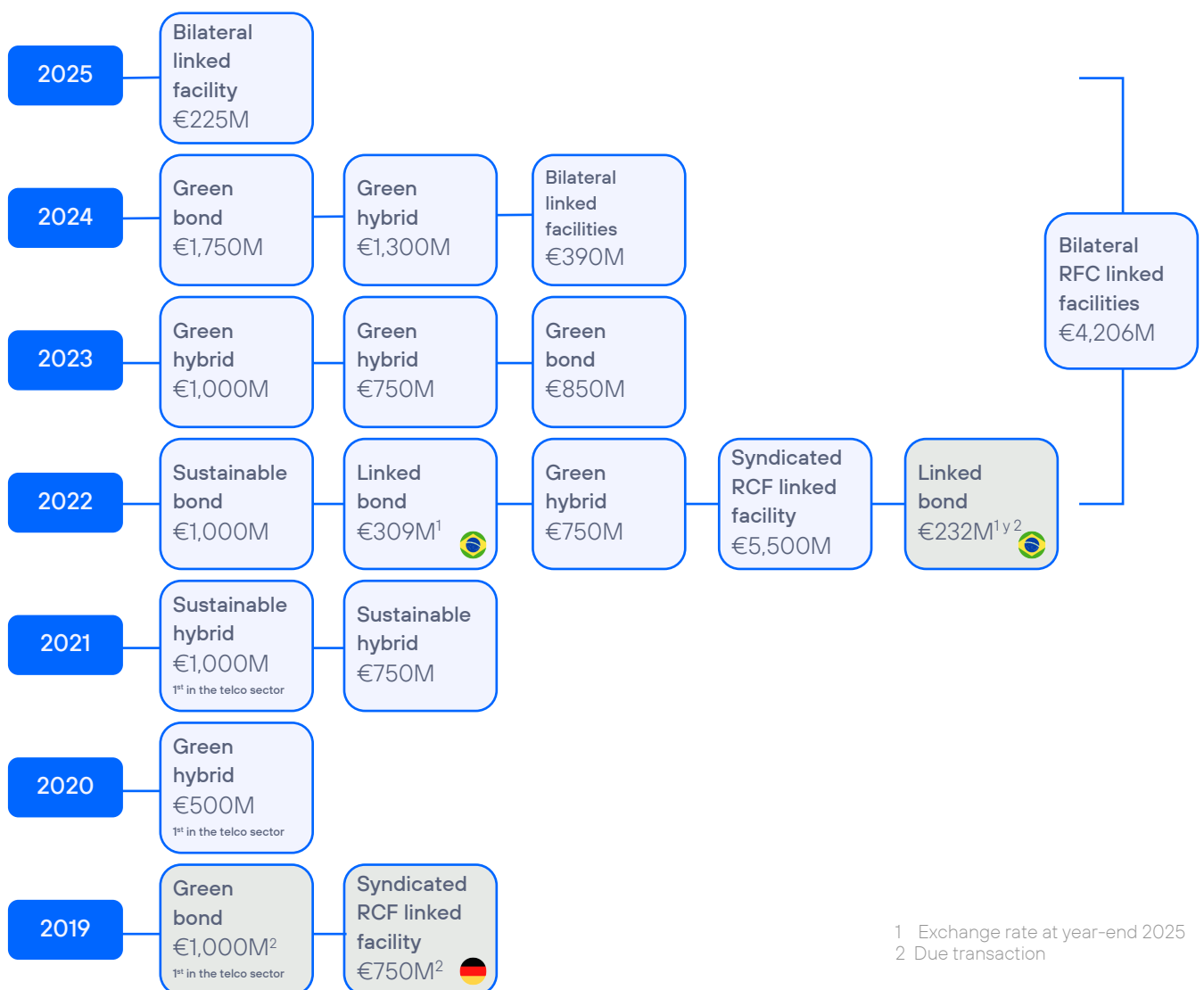
¹Includes Spain, Germany, Brazil and UK.

Telefónica is a pioneer in sustainable financing, in 2019, it became the first company in the telco sector to issue a €1 billion green bond. In 2018, the Company published the first Sustainable Financing Framework, last updated in July 2023, with the aim of continuously meeting best market practices and investor expectations. The framework is linked to Telefónica's business-relevant projects, which focus on expanding citizens' access to digital technologies by bridging the digital divide through the deployment of the most energy-efficient next-generation networks. These networks also play an important role for smart solutions that reduce the environmental impact across other sectors of the economy and society.

By year-end, sustainable financing represented 40.7% of Telefónica Group's total financing².



40.7% financing linked to sustainability criteria by the end of 2025



² Value reflects the Group perimeter at year-end 2025, including Colombia (in the process of discontinuation as of the end of FY 2025). Moreover, information on Telefónica's sustainable financing is available at: <https://www.telefonica.com/es/accionistas-inversores/rating/financiacion-sostenible>.



2. Climate and digital inclusion

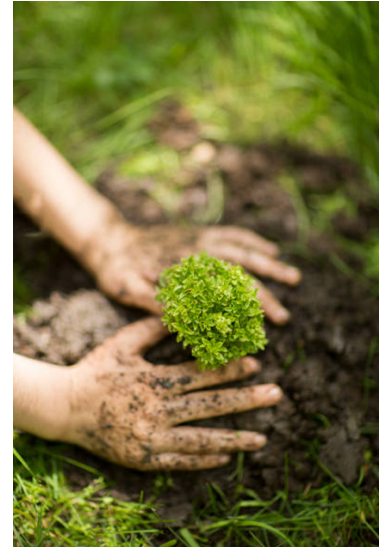
2. Climate and digital inclusion

Our Climate Action Plan

Telefónica's energy and climate change strategy focuses on mitigating its impact, seizing opportunities arising from the transition, and establishing mechanisms to adapt to this new context through effective climate risks management

Telefónica's [Climate Action Plan](#) defines the organisation's overall business strategy that lays out a set of science-based targets and actions supporting its transition towards a low-carbon economy while ensuring competitiveness in a rapidly evolving global context.

Integrated into Telefónica's governance model, the Climate Action Plan aims to increase the Company's resilience, includes actions to transform its operations and incorporates climate change, in its commercial, financial strategy and in its supply chain processes.



We increased the ambition of our goals	 SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	SBTi validation 1.5°C  OUR ONLY FUTURE
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Net-zero emissions
across our value
chain by 2040

Telefónica's Energy and Climate Targets

On the road to Net Zero by 2040, Telefónica's decarbonisation pathway has set intermediate targets that support its progress towards net zero emissions by 2040.

	Targets			Management plans			
	 Operational emissions (scopes 1 and 2)	 Value chain emissions (scope 3)	 Energy efficiency	 Renewable energy	 Circular economy	 Customers' emissions avoided through digitalisation	 Offsetting/ Neutralisation
Interim Targets 2030	(90)%	(56)%	-95% energy consumption per unit of traffic compared to 2015	100% of electricity from renewable sources ³	100% waste reused and recycled (Zero Waste)	To contribute to reducing customers' CO ₂ emissions through connectivity services and Eco Smart solutions	To continue offsetting/ neutralizing Scope 1 and Scope 2 emissions on an annual basis in the main markets
Long-term 2040	Reduce total emissions by 90%						Neutralise residual emissions annually (10%)
	Net zero emissions						

These targets help Telefónica to leverage decarbonisation opportunities, strengthen its competitiveness and offer customers services based on a clean and efficient network. Achieving these targets has also been embedded into Telefónica's management model and has formed part of the variable remuneration of all employees since 2018, reinforcing a shared commitment to long-term value creation.

³ It refers to electricity consumption in the company's own facilities.

Our commitment to promoting digital inclusion

Connectivity plays a vital role in building an inclusive digital society, serving as the foundation for bridging the digital divide and ensuring progress reaches everyone

For Telefónica, this means taking on the challenge of providing citizens with the best possible way to access digital technologies, so that no one is left behind in the digital transition.

Access to broadband connectivity and digital services is essential to drive social and economic development across all regions. Telefónica is firmly committed to expanding and enhancing its telecommunications networks in both urban and rural environments, with particular attention to those areas most at risk of digital exclusion due to limited infrastructure and connectivity.

Telefónica's commitment to connecting the unconnected—or those with limited connectivity—through the latest technologies is central to ensuring that the benefits of digitalization, particularly high-speed broadband, reach all segments of society.

The deployment of a reliable, robust, and efficient broadband network helps expand opportunities for consumers and users by fostering digital inclusion in areas such as employment, education, health, and finance,

Closing the coverage gap is essential, but not enough — we must also tackle the usage gap that prevents millions from fully participating in the digital society

While the expansion of broadband infrastructure provides a critical foundation, many individuals and communities continue to face substantial barriers to fully leveraging digital technologies in their daily lives. These challenges often relate to affordability, accessibility, and digital literacy, as well as limited access to digital services and content that are tailored to their specific needs, contexts, and realities.

Telefónica is tackling these challenges through a comprehensive approach to digital inclusion: from network deployment to ensuring accessible digital services designed for people with disabilities, offering innovative solutions that help individuals discover the benefits of digitalization, and promoting safe and responsible technology use.

Complementary the promotion of digital literacy, talent, and employability across all segments of society through initiatives led primarily by our Foundation, almost 1 million people were trained in digital skills in 2025 to enhance their employability.



Connectivity is one of the main drivers of social and economic development

4G coverage

• Spain	98.2%
• Brazil	97.0%
• Germany	99.9%

5G coverage

• Spain	94.6%
• Brazil	67.4%
• Germany	98.6%

Rural mobile BB coverage

• Spain	95%
• Brazil	85.5%
• Germany	99.6%



~70 million premises with FTTH connections by the end of 2025



3. Sustainable Financing Framework

3. Sustainable Financing Framework

The Sustainable Financing Framework is a fundamental tool for supporting the transformation of our business through investment in projects with a positive environmental and social impact

The instruments covered in this report were issued in accordance with the [Sustainable Financing Framework](#) updated as of July 2023, and positively endorsed by Sustainalytics' Second-Party Opinion. The Framework has been outlined with the 4 pillars of the Green Bond Principles (2021), Social Bond Principles (2023), the recommended External Review Component as well as the Green Loan Principles and Social Loan Principles, dated February 2023.



Use of proceeds

In accordance with the Framework, Telefónica may issue green, social, and sustainable financing instruments, the proceeds of which must be used to finance, in whole or in part, new or existing projects within the eligible categories defined in the Framework.

Green projects

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> Energy Efficiency of Telefónica's Network Infrastructure | <ul style="list-style-type: none"> Renewable Energy | <ul style="list-style-type: none"> Data-driven solutions |
|--|--|---|

Social projects

- Inclusive Connectivity (access to essential services)

The above eligible categories help to contribute to the Sustainable Development Goals, particularly SDG 9 (industry, innovation and infrastructure), SDG 8 (decent work and economic growth), SDG 7 (affordable and clean energy) and SDG 13 (climate action).

Project selection and evaluation

- The Sustainable Financing Committee oversees the allocation of proceeds to the project categories defined in the framework.
- The Committee is made up of senior management representatives from the following areas: finance, management control, sustainability, and other technical areas as required.

Management of proceeds

- Proceeds of each issuance are deposited in the general funding accounts and earmarked for allocation using the Sustainable Financing Register.
- Funds are managed according to Telefónica's internal liquidity policy until the allocation.

Reporting

- Allocation and impact report on an annual basis and until the proceeds are fully allocated.
- An independent third-party will ensure that eligible projects and reporting metrics are consistent with the Framework.

EU Taxonomy

Telefónica's Sustainable Financing Framework takes into consideration the EU Taxonomy where feasible and relevant on a best effort basis. However, the implementation of the Taxonomy regulatory framework has created uncertainty and ambiguity in the market. In the telecommunications sector, the key issue is that telecommunications networks are not included in its scope.

Together with the industry, Telefónica is actively engaged in highlighting the role of networks in this context and emphasising the need to include them in the Taxonomy framework. The strategic role of telecommunications networks in Europe's green digital transition is increasingly recognised, particularly as a key enabler of Europe's technological sovereignty and long-term competitiveness. There is also a growing recognition of the need for a regulatory framework that facilitates investment in sustainable digital infrastructures.

For the time being, Telefónica publishes in its Consolidated Annual Report, the proportion of revenues, capital and operating expenditures corresponding to the economic activities that are taxonomy-eligible and taxonomy aligned, as per regulatory requirements.

In 2025, Telefónica is presenting the EU Taxonomy reporting in accordance with the Omnibus Delegated Regulation 2026/73. The level of eligibility and alignment have increased, mainly as a consequence of the expansion of the activity 5.5. (circular economy), reflecting the inclusion of network infrastructure sharing within the scope of the activity.



Financial year 2025	Taxonomy-eligible and aligned activities			Breakdown by environmental objectives of Taxonomy aligned activities	
	Total	Proportion of eligible activities	Taxonomy aligned activities	Climate Change Mitigation	Circular Economy
<i>Text</i>	<i>M€</i>	<i>%</i>	<i>M€</i>	<i>%</i>	<i>%</i>
Turnover	35,120	10.0	2,397	2.2	4.7
CapEx	7,798	24.8	581	0.3	7.1



4. Summary of instruments in scope

4. Instruments in scope of the report

This report covers issuances in 2024: a €1,750M senior green bond and green hybrids instruments totalling €1,300M.

Proceeds allocated prior to this Report (2025): €2,783M

Proceeds allocated in this Report: €267M

Instrument	Senior bond	Green hybrid	Green hybrid (tap)
Issuer	Telefónica Emisiones, S.A.U.	Telefónica Europe, B.V.	Telefónica Europe, B.V.
Guarantor	Telefónica S.A.		
Guarantor rating	Baa3/BBB-/BBB (stable) (Moody's/ S&P/Fitch)		
Date of issuance	January 24/01/2024	March 15/03/2024	September 18/09/2024
Type of debt	Senior unsecured in two tranches (#1, #2)	Deeply subordinated, unsecured, senior to share capital of the Issuer, pari passu with outstanding hybrids	Deeply subordinated, unsecured, senior to share capital of the Issuer, pari passu with outstanding hybrids
Nominal Amount (EUR)	€1,750,000,000	€1,100,000,000	€200,000,000
Maturity date	#1: 24/01/2036 #2: 24/01/2032	Perpetual NC8.1 (First Reset Date 15/04/2032)	Perpetual NC8 (First Reset Date 7/09/2031)
Coupon	#1: 4.055% #2: 3.698%	5.752%	6.750%
Admission to securities trading	The Irish Stock Exchange plc regulated market		
ISIN codes	#1: XS2753311393 #2: XS2753310825	XS2755535577	XS2646608401
Use of proceeds	Eligible green investment related to the transformation and modernisation of telecommunications networks based on high-speed fixed and mobile networks, including supporting infrastructures and software to improve the energy efficiency of the networks, as well as projects related to the implementation of Telefónica's renewable energy plan.		



5. Project allocation and impacts

5. Project allocation and impacts

By the end of 2025, 100% of the €3,050 million issued in 2024 had been allocated of which €267M are allocated in this Report

At year-end 2025, the full allocation of the €3,050 million issued in 2024 had been completed. During the 2025 financial year, the remaining €267⁴ million was allocated to network transformation projects in Spain. Below are the tables updated detailing the investments made by country and project for each period, together with their updated environmental impact.

Overall, the proceeds earmarked to finance the transformation and modernisation of Telefónica's network improving its energy efficiency, as well as Telefónica's Renewable Energy Plan projects, have resulted in a total of 517,873 tCO₂e avoided emissions.

Summary of allocation⁵

	M€	%
Total amount allocated	3,050	100
Remaining balance of unallocated proceeds	0	0
Total net proceeds raised in 2024	3,050	100

Energy efficiency of Telefónica's network infrastructure

2023-2025

 Spain	Amount of proceeds allocated	M€	1,395
	Electricity consumption/network traffic	kWh/PB	23,544
	Avoided CO ₂ e emissions	tCO ₂ e	79,554

Note 1: The year 2023 does not include the month of January, allocated in a previous Allocation and Impact Report.

Note 2: The total €3,050 million raised through the green financing instruments referred to in this report includes €267 million corresponding to the Green Hybrid Instruments (the amount that remained unallocated in the 2025 Allocation and Impact Report), which were allocated during 2025 to the fixed network transformation project in Spain, generating an impact of 12,830 kWh/PB in the electricity consumption/network traffic indicator and 11,385 tCO₂e of avoided emissions during the year.

⁴ Please note that this report covers the €67 million of the remaining unallocated proceeds corresponding to the instrument with ISIN code XS2755535577, representing 6% of the net proceeds for this ISIN, as well as the remaining €200 million corresponding to the tap with ISIN code XS2646608401, which represents 100% of the net proceeds for that ISIN. The proceeds related to instruments with ISIN code XS2753311393, XS2753310825 and XS2755535577 were previously allocated and reported in the Telefónica's Green Financing Instruments 2025 Report. This report updates and consolidates the corresponding information once the proceeds have been fully allocated.

⁵ The sum of the proceeds allocated across project categories may slightly differ from the total amount allocated as a result of rounding adjustments.

2024

 Brasil	Amount of proceeds allocated	M€	413
	Electricity consumption/ network traffic	kWh/PB	10,225
	Avoided CO ₂ e emissions	tCO ₂ e	5,433

2023-2024

 Germany	Amount of proceeds allocated	M€	1,085
	Electricity consumption/ network traffic	kWh/PB	140,472
	Avoided CO ₂ e emissions	tCO ₂ e	140,374

The reported electricity intensity reflects Telefónica's ongoing commitment to modernizing and transforming its network infrastructure. Based on insights from several GSMA reports on energy efficiency, the company demonstrates an efficient approach to data traffic management, aligned with leading industry practices.

Renewable energy
2021-2024

 Spain	Amount of proceeds allocated	M€	69
	Electricity consumption	kWh	1,766,544,000
	Avoided CO ₂ e emissions	tCO ₂ e	250,870

2022-2024

 Brazil	Amount of proceeds allocated	M€	89
	Electricity consumption	kWh	990,618,172
	Avoided CO ₂ e emissions	tCO ₂ e	41,643

Note 3: The year 2022 does not include the first quarter (Q1), allocated in a previous Allocation and Impact Report.

Green projects financed

Telefónica's network transformation

Telefónica is committed to achieving a more sustainable infrastructure for both fixed and mobile networks, supporting the Company's transformation into a more innovative and competitive telecommunications provider while enabling a wide range of digital services that have a positive impact on society.

With the exponential growth in demand for digital services and the continuous development of communication technologies, telecommunications companies face significant challenges in terms of energy efficiency and sustainability. Addressing these challenges is also key to ensuring the availability of advanced networks capable of supporting the most innovative digital technologies.

The ways in which the company can gain in efficiency are diverse. Primarily, this has been achieved through network modernization, replacing copper with fiber optics, which is 85% more efficient, and deploying 5G, which is up to 90% more efficient than 4G. Also, through migration to the cloud, virtualization, up to 27% more efficient than legacy environments, implementation of Power Saving Features (PSF) and AI/ML platforms, all with the aim of optimizing energy consumption by up to 40% while maintaining quality.

By embedding sustainability criteria from the outset, we can mitigate the effects of climate change, in line with Telefónica's carbon neutral targets and facilitate the adaptation of networks to current and future environmental challenges.

Therefore, Telefónica's investments in its network infrastructure maximise the energy efficiency and prepare the infrastructure for adaptation to climate change. In this regard, Telefónica's Adaptation Plan outlines measures to reduce exposure to physical and transitional risks, ensuring service continuity even under adverse climate conditions. For example, by deploying equipment designed to operate at higher temperatures.

Operational efficiency also plays a key role. How networks are managed boosts equipment performance and accelerates the phase-out of legacy systems, thereby amplifying sustainability benefits.



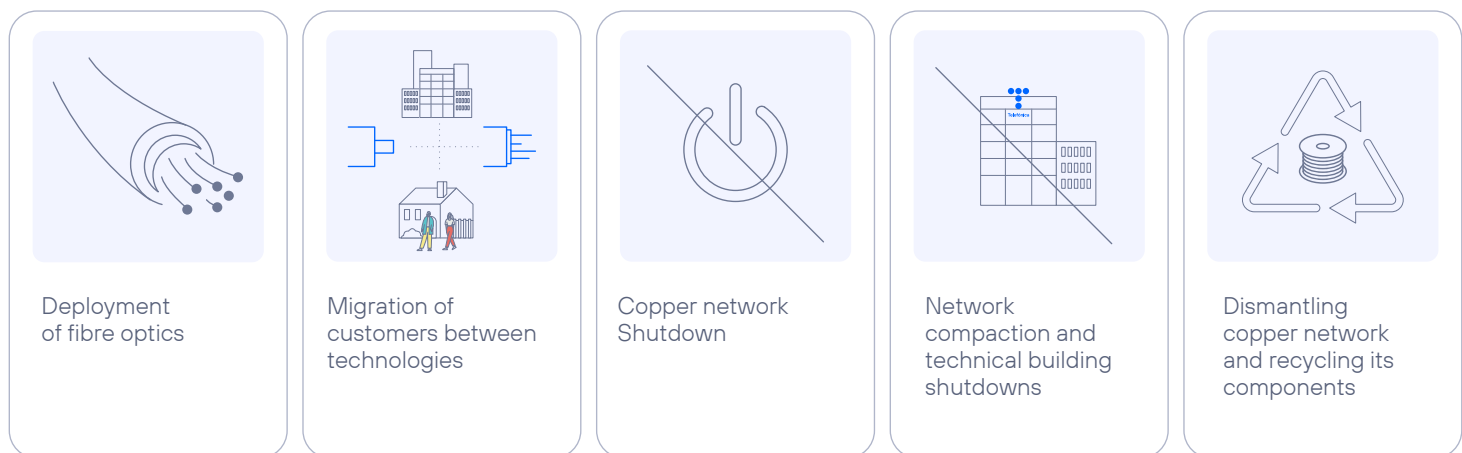
Fibre optics: a more energy-efficient fixed network

A significant portion of the proceeds from these issuances has been allocated to transforming Telefónica's fixed networks in Spain and Brazil from copper to fibre-to-the-home (FTTH), which is 85% more energy efficient than copper.

The fixed network is a fundamental tool for providing connectivity to populations with low coverage, thus minimising the digital divide and offering high speed and quality communication services. Through fiber optics, these areas now enjoy a broadband network capable of transmitting a large amount of data, with stable and interference-free navigation, maintaining the privacy of the information transmitted and increasing the number of devices connected to the network.

Fiber optic equipment requires seven times less energy consumption per customer to transmit than copper. This requires less air conditioning as it produces less heat, which ultimately means a reduction in CO₂e emissions.

Network transformation process



The project is mainly divided in three phases:

Fibre deployment	Transport	Customer migration
Construction of the fibre optic FTTH network between Telefónica's technical building and the CTO (point of deployment closest to the customer's home, whether a residential or a business customer).	Construction of the network necessary to transport the data of customers with a fibre connection. This has been covered in a very limited way when allocating funds, as transport is a common element of several technologies. For this bond, only the part of transport associated with agreements with various public or private entities in which it is specified that the access technology must be fibre optics has been selected.	Migration of existing customers with copper technology to provide them with access to fibre optic technology. It includes the operations between the CTO and the customer's home.

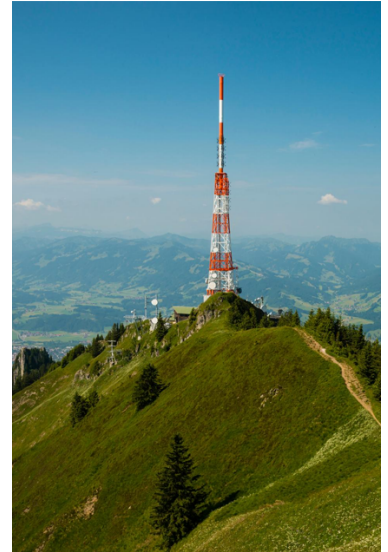
A high-speed mobile network based on optimising energy efficiency and interoperability

The transformation and modernisation of the mobile networks is key to enabling high-speed connectivity capable of supporting new services with increasingly demanding requirements over time, while strengthening Telefónica's position as a more innovative and competitive telecommunications company.

In this context, Telefónica is deploying the necessary infrastructure to guarantee the required network capacity and coverage. Investments in new and multi-technology equipment also allow Telefónica to continuously reduce energy consumption per data traffic and to run multiple technologies with a minimum amount of hardware units, thus increasing the energy efficiency.

Although 4G and 5G traffic demand are expected to grow steadily and may eventually lead to an overall increase in energy demand, the efficiencies achieved are expected to result in a net reduction in energy consumption per unit of data transmitted. This will be achieved by enabling energy efficient transmission as well as operational efficiencies in industries and activities downstream of the financed network.

As an example, energy efficiency related 5G network deployment increases significantly due to its higher spectrum capacity. Furthermore, in 2020, Telefónica carried out a case study based on energy consumption measurements at its 5G sites deployed in Germany and Brazil. The study showed that the technology was up to 90% more efficient in terms of energy consumption per traffic unit⁶ and has much more capacity, so it will be able to provide increased services with a lower energy consumption.



Telefónica specific actions and enhancements boosting the energy efficiency of mobile networks

- **Mobile site modernisation** by decommissioning legacy technologies and replacement with more efficient multi-band and multi-technology equipment.
- Activation of **power-saving features**, such as: switching off bands/carriers, downgrading MIMO, and shutdown electronics.
- **Implementation of AI/ML platform** on top of power saving features (PSFs) to continuously monitor and manage the network capacity and shut down useless resources on air.

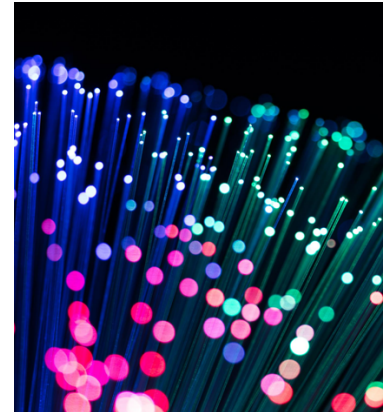
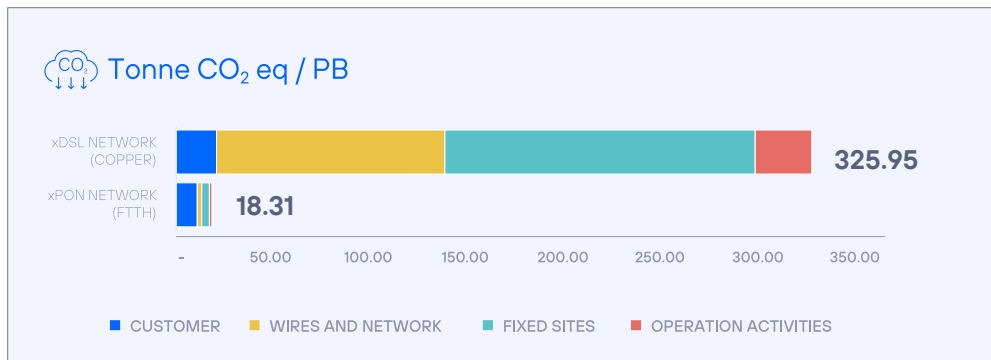
⁶ [Telefónica makes progress in the design of a green 5G network](#)

Benefits of the telecommunications network transformation

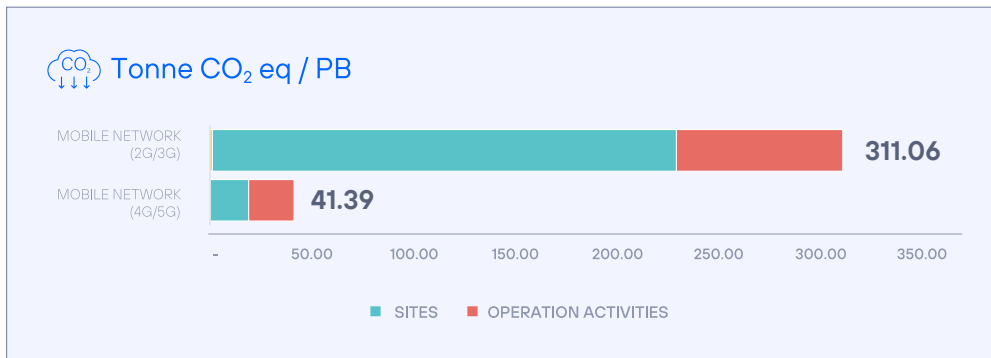
• Energy efficiency:

Fibre and 4G/5G technologies have a lower environmental impact compared to copper and 2G/3G, respectively. Mainly related to a more efficient and lower energy consumption during the transport and processing of data in the network system⁷.

Fixed network environmental impact



Mobile network environmental impact



In addition, Telefónica's increased use of renewable energy significantly lowers the environmental impact of its overall energy consumption.

• Shutdown of legacy technologies:

Telefónica completed the 3G switch-off in Germany by 2021 and is already making progress in other geographies such as Spain, where Telefónica has completed the retail copper network switch-off with the closure of all its central offices (8,532 COs).

⁷ [Connectivity Solutions' Life Cycle Assessment](#), Telefónica Spain, 2022

- **Circular economy:**

The recycling of equipment and the materials: metals, rare-earth elements, etc. allow for its reuse and an extended span life.

- **Space saving:**

Fibre takes up 10 times less space and has 100 times more capacity. Also, the virtualisation and compactness of mobile equipment allows for more free space and less energy consumption.

- **Network quality, reduced maintenance and support resources:**

Application of new functionalities in the telecommunication network enabling continuous remote monitoring.



Renewable Energy

Telefónica's Renewable Energy Plan

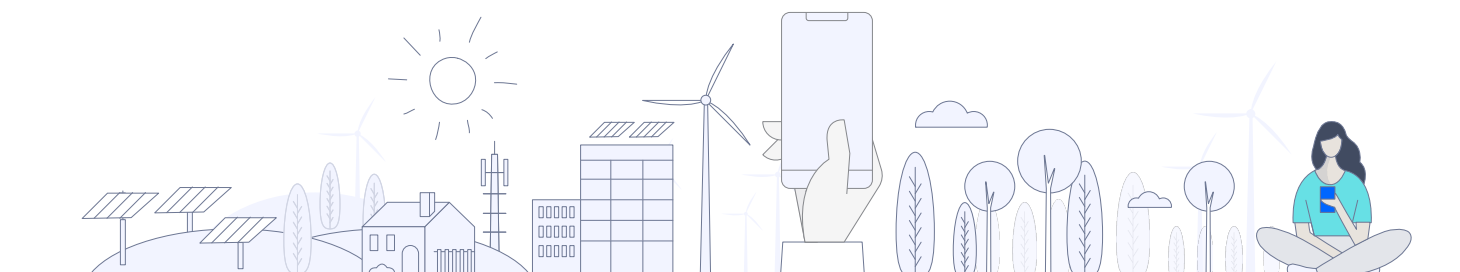
Telefónica's Renewable Energy Plan contributes to increasing the renewable energy mix through self-generation and/or by facilitating the construction of new renewable power plants, as well as long-term Power Purchase Agreements (PPA), and distributed generation. Our goal is for the electricity we consume in all our operations to come entirely from renewable sources by 2030.

These contracts often have a long term and provide the Group with a mechanism to ensure the supply of green energy at fixed prices. When these arrangements involve physical delivery of electricity and are entered into for the purpose of receiving the energy for the entity's expected purchase, sale or usage requirements (i.e. volume agreed does not exceed actual and expected power needs), the contract is for "own use" and is generally accounted for as power purchases or sales when the underlying transactions take place.

These agreements prioritise non-conventional renewable energy sources such as wind and solar. This contractual mechanism allows Telefónica to secure the supply of green energy at fixed prices, reducing operating costs and exposure to fluctuations in electricity prices.



In 2025,
consumption of
renewable energy
reached 93% of total
electricity
consumption in
Telefónica facilities.



Impact indicators calculation methodology

Energy efficiency of Telefónica's network infrastructure

Telefónica's network electricity consumption per unit of data traffic (kWh/PB)	The energy intensity ratio is calculated by using network electricity consumption (kWh) and both, fixed and mobile data traffic expressed in petabytes (PB), as applicable.
Telefónica's network avoided CO₂e emissions from electricity savings (tCO₂e)	The calculation of avoided carbon emissions is based on the electricity savings achieved through the transformation and modernization of telecommunication networks. This is determined using the emission factors of the country's electricity mix in which the projects are being developed . The estimated electricity savings are determined by analysing how much the network's annual consumption would have been in the previous year had the transformation not taken place. This considers both, changes in electricity consumption and variations in the data traffic that had to be managed during the same period.

Please note that the activity data (network electricity consumption) and emission factors have been validated by an independent third party (AENOR). These data are used to calculate the impact indicators shown above.

Renewable energy

Renewable energy consumption	Consumption from renewable energy sources associated with long-term power purchase agreements tied to Telefónica's specific and identifiable projects. Please note that only the consumption associated with the PPAs is considered. In Brazil, distributed generation refers to the small-scale production of electricity from renewable sources, such as solar, wind or biomass, located close to the point of consumption.
Telefónica's network avoided CO₂e emissions from electricity savings (tCO₂e)	The calculation of avoided carbon emissions is a theoretical exercise based on the consumption of renewable electricity associated with long-term power purchase projects as described in the indicator, using the emission factors of the electricity mix of the country where the projects are developed.

Telefónica, S.A.

Independent practitioner's limited assurance report on
certain information related to Telefónica's Green Financing
Instruments (2026 Report)



Independent practitioner's limited assurance report on certain information related to Telefónica's Green Financing Instruments (2026 Report)

To the management of Telefónica, S.A.:

Limited assurance conclusion

We have conducted a limited assurance engagement on certain information related to the green project "Energy Efficiency of Telefónica's Network Infrastructure" in Spain as at 31 December 2025 and for the year then ended (the "Energy Efficiency of Telefónica's Network Infrastructure Project in Spain for 2025" or the "Project") (re)financed by the Green Hybrid Instruments ISIN XS2755535577 and ISIN XS2646608401 issued by the subsidiary Telefónica Europe, B.V. and guaranteed by Telefónica, S.A. (the "Green Bonds"), contained in footnote "Note 2" of section 5 "Project allocation and impacts" of the accompanying "Telefónica's Green Financing Instruments (2026 Report)" dated July 2026 ("Telefónica's Green Financing Instruments (2026 Report)") of Telefónica, S.A. ("Telefónica"). Specifically, in connection with "Telefónica's Green Financing Instruments (2026 Report)", our limited assurance procedures aim to provide limited assurance on:

- the application of the eligibility criteria to the "Energy Efficiency of Telefónica's Network Infrastructure Project in Spain for 2025" as described in the "Telefónica Sustainable Financing Framework, July 2023" (the "Framework"), which accompanies this report;
- the traceability of the proceeds obtained through the Green Bonds to the amount allocated to the "Energy Efficiency of Telefónica's Network Infrastructure Project in Spain for 2025", as disclosed in footnote "Note 2" of section 5 "Project allocation and impacts" of "Telefónica's Green Financing Instruments (2026 Report)";
- the verification that the Project's impact indicators "Electricity consumption / network traffic (kWh/PB)" and "Avoided CO₂e emissions (tCO₂e)" for 2025, disclosed in footnote "Note 2" of section 5 "Project allocation and impacts" of Telefónica's Green Financing Instruments (2026 Report), are prepared in accordance with the Framework applied as explained in section 3 of "Telefónica's Green Financing Instruments (2026 Report)".

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that:

- the application of the eligibility criteria described in the "Telefónica Sustainable Financing Framework, July 2023" is not properly applied to "Energy Efficiency of Telefónica's Network Infrastructure Project in Spain for 2025", (re)financed through the Green Bonds;
- the proceeds obtained through the Green Bonds are not traceable to the amount allocated to the "Energy Efficiency of Telefónica's Network Infrastructure Project in Spain for 2025", as disclosed in footnote "Note 2" of section 5 "Project allocation and impacts" of "Telefónica's Green Financing Instruments (2026 Report)";

PricewaterhouseCoopers Auditores, S.L.
Torre PwC, P.º de la Castellana 259 B, 28046
Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111

R. M. Madrid, hoja M-63.988, folio 75, tomo 9.267, libro 8.054, sección 3.ª
Inscrita en el R.O.A.C. con el número S0242 - NIF: B-79031290

- the impact indicators “Electricity consumption / network traffic (kWh/PB)” and “Avoided CO₂e emissions (tCO₂e)” for 2025 are not prepared, in all material respects, in accordance with the Telefónica Sustainable Financing Framework, July 2023 applied as explained in section 3 of “Telefónica’s Green Financing Instruments (2026 Report)”.

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), “*Assurance engagements other than audits or reviews of historical financial information*” (“ISAE 3000 (Revised)”), issued by the International Auditing and Assurance Standards Board (IAASB).

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Our responsibilities under this standard are further described in the Practitioner’s responsibilities section of our report.

Our independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of management for Telefónica’s Green Financing Instruments (2026 Report)

The management of Telefónica, S.A. is responsible for:

- the preparation of “Telefónica’s Green Financing Instruments (2026 Report)”, in accordance with the Framework, applied as explained in section 3 of “Telefónica’s Green Financing Instruments (2026 Report)”;
- designing, implementing and maintaining such internal control as management determines is necessary to enable the preparation of “Telefónica’s Green Financing Instruments (2026 Report)”, in accordance with the Framework, that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate methods and making assumptions and estimates that are reasonable in the circumstances.

Practitioner’s responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the aforementioned information of “Telefónica’s Green Financing Instruments (2026 Report)” subject to our scope is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of “Telefónica’s Green Financing Instruments (2026 Report)”.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- determine the suitability in the circumstances of Telefónica's use of the Framework as the basis for the preparation of "Telefónica's Green Financing Instruments (2026 Report)";
- perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of Telefónica's internal control; and
- design and perform procedures responsive to where material misstatements are likely to arise in the information of "Telefónica's Green Financing Instruments (2026 Report)" subject to our scope. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the aforementioned information of "Telefónica's Green Financing Instruments (2026 Report)" subject to our scope. The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of where material misstatements are likely to arise in "Telefónica's Green Financing Instruments (2026 Report)", whether due to fraud or error.

In conducting our limited assurance engagement, we:

- held meetings with Telefónica's personnel from various departments involved in the preparation of "Telefónica's Green Financing Instruments (2026 Report)" to understand the characteristics of "Energy Efficiency of Telefónica's Network Infrastructure Project in Spain for 2025", the procedure for allocating the Green Bonds' proceeds and its related traceability to the Project, the internal management procedures and systems in place, the data collection process and the control environment;
- evaluated the procedures performed by Telefónica to obtain and validate the information included in footnote "Note 2" of section 5 "Project allocation and impacts" of the accompanying "Telefónica's Green Financing Instruments (2026 Report)" relating to the amount that remained unallocated and was allocated during 2025 to the fixed network transformation project in Spain, Project's impact indicators "Electricity consumption / network traffic (kWh/PB)" and "Avoided CO₂e emissions (tCO₂e)";
- verified that the Project (re)financed through the Green Bonds for the financial year 2025 meets the eligibility criteria defined by Telefónica and described in the Framework, through the assessment of the eligibility of the underlying (re)financed project against the requirements established in the Framework;
- verified that the aforementioned impact indicators, included in footnote "Note 2" of section 5 "Project allocation and impacts" of the accompanying "Telefónica's Green Financing Instruments (2026 Report)", have been prepared in accordance with the terms described by Telefónica in its Framework;

- performed other limited assurance procedures, including inquiries of relevant management and operational personnel, sample-based testing and other substantive procedures on the information for the financial year 2025 included in footnote “Note 2” of section 5 “Project allocation and impacts” of the accompanying “Telefónica’s Green Financing Instruments (2026 Report)”;
- obtained a representation letter from the management of Telefónica, S.A.

Distribution and use

Our report is issued to the management of Telefónica, S.A. in accordance with the terms set out in our engagement letter dated 2 June 2026, which states that we assume no liability to third parties other than the recipients of this report.

This work does not constitute an accounts audit nor is it subject to the regulations governing the audit activity in force in Spain, so we do not express an audit opinion in the terms provided for in the aforementioned regulations.

PricewaterhouseCoopers Auditores, S.L.



Sergio Mateos Orcajo

22 July 2026



Sustainable Financing Framework

July 2023

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1. Introduction

1.1 About Telefónica¹

Telefónica is a telecommunications company with over 1.1 million shareholders. Listed on the world's leading stock exchanges, the Company currently operates in 12 countries and employs over 103,000 people, serving more than 383 million customers. At the end of 2022, revenues amounted to €39,993 million.

"To make our world more human by connecting lives"

Our mission puts people at the centre of everything we do. We want to be a company that customers, employees, suppliers, shareholders and society in general can trust. To achieve this, we must have clear principles that consistently guide our decisions and actions inside and outside the Company.

Making the world more human: we are committed to protecting people and the planet and to ensuring that corporate ethics are at the core of everything we do. This also forces us to take into account our various stakeholders' expectations and needs in order to build relationships of trust with all of them

Connecting people's lives: this means that we aim to digitalise society as a whole, leaving no one behind, and reduce the digital divide in terms of access, affordability, accessibility and training in digital skills. This also pushes us to innovate so that we can offer products and services that add value and help improve people's lives; it also leads us to leverage digital solutions to decarbonise the economy

1.2 Sustainability at Telefónica

The telecommunications sector is a pillar of our society. In the coming years, the sector will continue to play a key role in an economic and social recovery that leaves no one behind, and in building a greener and fairer economy for all.

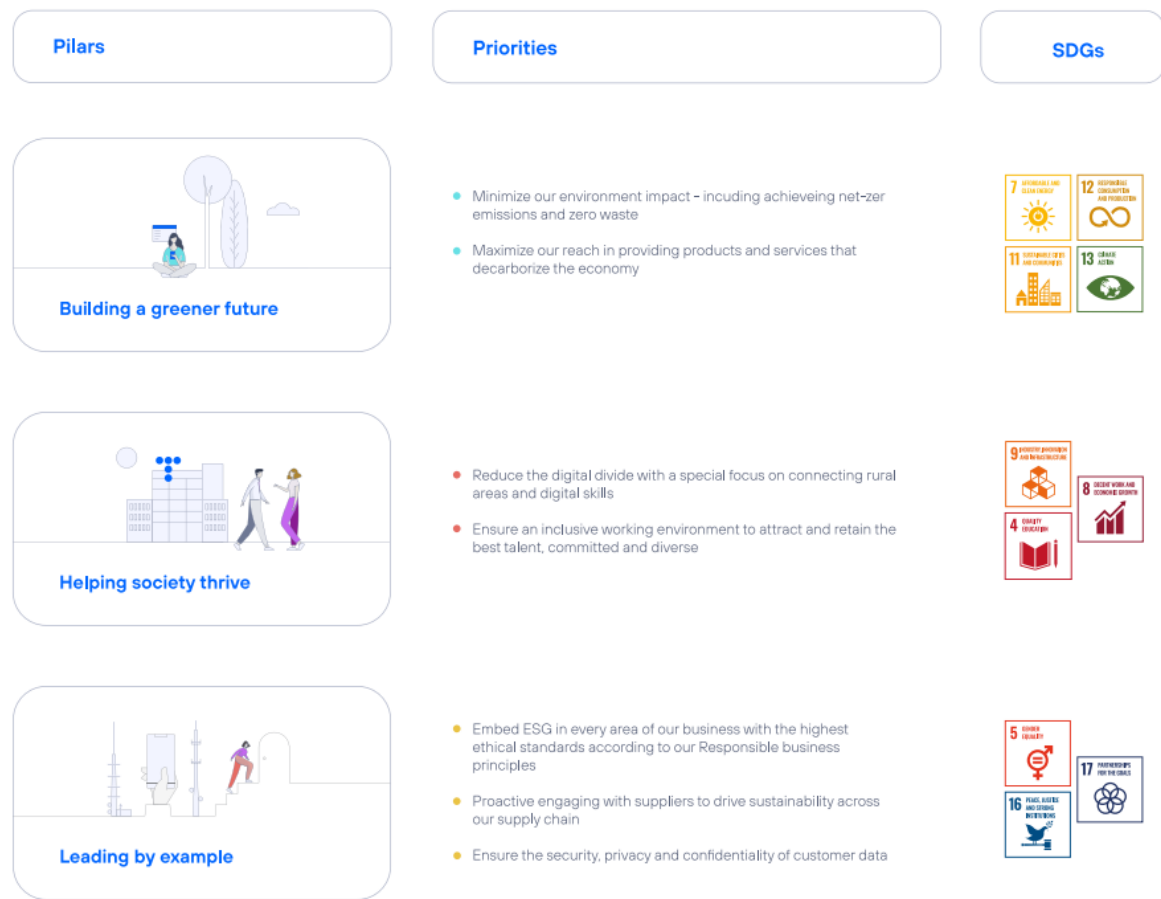
Our corporate purpose builds on the elements and values of sustainability and combines naturally with the United Nations 2030 Agenda¹, which explicitly highlights the key role of technology, innovation, and communications in addressing the great challenges facing humanity. Accordingly, over the last few years, we have been assessing and identifying where are we generating the greatest value towards the goals and targets of the 2030 Agenda based on our technical and commercial capabilities and the geographical regions in which we operate.

SDG 9 (Industry, Innovation and Infrastructure) has been identified as the main goal where we are generating the greatest value, thanks to our deployment of communications infrastructure and our ongoing commitment to innovation and the promotion of entrepreneurship. Furthermore, Telefónica is committed to assess our overall contribution to the 2030 Agenda and have developed a comprehensive impact analysis model for that purpose. We disclose the outcomes of this evaluation in our Annual Report².

We focus on three main lines of action in keeping with our strategic pillars that align with several Sustainable Development Goals (SDGs):

¹ Transforming our world: the 2030 Agenda for Sustainable Development.

² Available [here](#).



1.3 Sustainability Governance and Culture

At the Telefónica Group, we have a code of ethics and conduct –our Responsible Business Principles– underpinned by Telefónica’s Sustainability policies and regulations³, which govern what we say and do in our daily activities in order to act with integrity, commitment and transparency.

To ensure that our Responsible Business Principles is the common thread running through everything we do, we have a Responsible Business Plan that includes targets and projects in every key area of the Principles and the three pillars of our strategy. We incorporate the objectives of the Responsible Business Plan into the company's Strategic Plan. Some of the major objectives of the Responsible Business Plan are also included in the variable remuneration of all employees, including members of the Executive Committee.

The main sustainability governing bodies and their roles are the following:

Board of Directors	Approves the Responsible Business Principles, the Responsible Business Plan and the policies on anti-corruption, environmental management, privacy and sustainable management of the supply chain
Board’s Sustainability and Quality Committee	Oversees the implementation of the Responsible Business Plan
Board’s Audit and Control Committee	Supervises the compliance function, the risk analysis and management process and the company’s reporting process
Responsible Business Office	Monitors the Responsible Business Plan. Reports to the Sustainability and Quality Committee through the Global Sustainability Officer
Corporate Business and Support Areas and Country Operators’ executive committees	Implementation of the objectives of the Responsible Business Plan

³ Telefónica’s Responsible Business Principles and Policies can be accessed [here](#).

1.4 EU Taxonomy Reporting

In our Consolidated Management Report 2022⁴, Telefónica reported the share of our revenues, capital expenditures and operating expenditures that are eligible and aligned with the EU Taxonomy, ahead of the requirement to do so outlined in the Corporate Sustainability Reporting Directive (CSRD).

For the activities relevant to the ICT sector, the current text of the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation leads to uncertainty and doubts about the interpretation of telecommunication networks as an enabler of GHG emissions reduction in Activity 8.2. Data-driven solutions for GHG emissions reduction. Therefore, Telefónica relies on the established definition provided by the International Telecommunications Union (ITU) in its Recommendation ITU-L.1480 for ICT solutions: "A system encompassing ICT goods, ICT networks and/or ICT services that contributes to meeting a technical, societal or business challenge"⁵. According to this statement, telecommunications networks are inherently ICT solutions.

However, the draft commission notice on frequently asked questions (FAQs) published by the European Commission in December 2022 restricts the telecommunication network classification under Activity 8.2. Therefore, within its reporting, Telefónica decided to reflect the interpretation outlined in the draft commission notice published by the European Commission in December 2022, rather than the Company's previous interpretation⁶ Information related to the EU Taxonomy Regulation has been verified by an independent third party.

The Sustainable Financing Framework (the "Framework") also takes into consideration, the EU Taxonomy Regulation⁷ (the "EU Taxonomy") and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation⁸ adopted in December 2021, where feasible and relevant for Telefónica, on a best effort basis⁹.

1.5 Rationale for establishing a Sustainable Financing Framework

At Telefónica, we have been working for many years on our internal transformation to bring environmental and social sustainability and continue to expand ESG criteria within our financing model, with the aim of making sustainable finance one of the main financing tools for the Telefónica Group.

As part of our sustainable finance strategy, Telefónica has decided to consider issuing green, social and or sustainability instruments. Telefónica is a pioneer in sustainable financing and stands out for the volume and diversification of its financial instruments. In 2019, it was the first company in the telco sector to issue a green bond for an amount of €1bn. Also, in 2020 the company issued the first green hybrid amounted to €500 million and in 2021 it launched the sector's first sustainable hybrid, amounting to €1 billion.

By linking its financing to business-relevant projects, the company is going a step further in integrating our sustainability strategy into our business strategy. Furthermore, sustainable finance offers us new opportunities for interaction with our partners and investors so:

- We can listen to their expectations and therefore consider them in our long-term decision-making processes
- At the same time, this dialogue gives us the opportunity to keep them informed about our sustainability challenges and opportunities
- Financial instruments leveraged on ESG criteria, such as bonds, hybrid instruments and bank financing, give us the opportunity to analyse a new market demand, improve profitability and attract new business opportunities, highlighting our role as a key partner on the road to decarbonisation of many activities

⁴ Telefónica's [Consolidated Management Report 2022](#)

⁵ As included in the document Enabling the Net Zero transition: Assessing how the use of information and communication technology solutions impact greenhouse gas emissions of other sectors.

⁶ The publication of the final version of FAQs, or future possible additional clarifications by the regulator and the legislator could affect the considerations reflected in Telefónica's Taxonomy eligibility and alignment.

⁷ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

⁸ EU Taxonomy Delegated Act on Climate Change Mitigation and Adaptation published in April 2021 and adopted in December 2021: [EUR-Lex - 32021R2139 - EN - EUR-Lex \(europa.eu\)](#).

⁹ Due to the considerations on the interpretation of the wording of the Delegated Acts outlined in the main text.

In 2018, Telefónica published its inaugural SDG Framework. As it is our intention to continually follow the best practices of the rapidly evolving sustainable financing market, we first updated our Framework in January 2021, and are now publishing the 3rd version with this Sustainable Financing Framework.

This Framework has been outlined in line with the 4 pillars of the Green Bond Principles and Social Bond Principles dated June 2023¹⁰, the recommended External Review Component as well as the Green Loan Principles and Social Loan Principles both dated February 2023¹¹:

1. Use of Proceeds
2. Project Selection and Evaluation Process
3. Management of Proceeds
4. Reporting
5. External Review

2. Sustainable Financing Framework

2.1 Use of Proceeds

Under this Framework, Telefónica can issue Green, Social and Sustainability bonds, loans and other financial instruments such as hybrids, convertibles, *schuldschein* or commercial papers (together the "Financing Instruments"):

- Green Financing Instruments – for which an amount equivalent to the net proceeds is exclusively allocated to green projects as defined below (the "Eligible Green Projects");
- Social Financing Instruments – for which an amount equivalent to the net proceeds is exclusively allocated to social projects as defined below (the "Eligible Social Projects"); and
- Sustainability Financing Instruments – whereby an amount equivalent to the net proceeds is allocated to Eligible Green Projects and to Eligible Social Projects (the "Eligible Projects").

Eligible Projects are defined as expenditures in line with the eligibility criteria set out in the table below and may include physical assets, capital expenditures, R&D and other operating expenditures related to the servicing, improvement and extension of Eligible Projects, as well as acquisitions of or equity participations in 'pure player'¹² companies specialized in any of the below eligible Green Financing [OR Project] Categories or Social Financing [OR Project] Categories. In the case of joint investments or joint ventures, Telefónica will only consider the pro-rata share (%) of its own investments/participation in the Eligible Project.

The Use of Proceeds of any Telefónica's Green, Social, or Sustainability Financing Instrument under this Framework will be subject to the following eligibility criteria, to be applied to new or existing projects¹³. This list may be further updated as technologies and other circumstances evolve.

¹⁰ ICMA [Green Bond Principles](#) and [Social Bond Principles](#) (2023).

¹¹ LMA, APLMA, and LSTA [Green Loan Principles](#) and [Social Loan Principles](#) (2023).

¹² Pure player': At least 90% of the revenue of the company acquired derives from activities falling in any of the above Green or Social Financing Categories.

¹³ Only existing projects financed up to 36 months before the issuance may be considered eligible.

Eligible Green Projects

Project Category	Eligibility Criteria	Telefónica's commitments	UN SDG Contribution	EU Environmental Objective
Energy Efficiency of Telefónica's Network Infrastructure	Network deployment transformation (both mobile and fixed) with a view to base connectivity on the latest technologies, making networks more energy-efficient, including but not limited to: - Modernisation of broadband networks, both fixed (fibre) and mobile (i.e., 5G) including devices and systems supporting the deployment and operation of these telecommunications networks and their interoperability. - Optic fibre deployment, with the aim of transforming wireline legacy copper networks into latest generation fibre networks. - Improvement of supporting infrastructure with a view to making it more efficient (including but not limited to free cooling systems, cooling optimization, power modernization, smart management, intelligent lighting or optimization of power storage). This also includes digital process transformation, like automatization of	Improving energy consumption per unit of traffic (MWh/PB) by 90% in 2025 compared to 2015. Achieving net-zero emissions by 2040 globally, including the value chain. Reducing 80% of Scope 1 and 2 CO2 emissions globally by 2030 and 90% in our main markets by 2025, from a 2015 base year.	SDG 7.3 By 2030, double the global rate of improvement in energy efficiency. SDG 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, with all countries taking action in accordance with their respective capabilities.	Climate change mitigation

	maintenance processes. - Software aimed at reducing power consumption, such as, but not limited to, power saving features, servers virtualisation, remote and data management applications, machine learning and artificial intelligence applications.			
Renewable Energy	Implementation of Telefónica's renewable energy plan: - Self-generation of electricity from renewable sources such as solar, wind, mini-hydro and geothermal. (Excluding hydro over 25MW and geothermal with life cycle GHG emissions > 100 gCO2/kWh). - Purchase of renewable energy pursuant to long-term power purchase agreements (minimum of 5 years) and tied to Telefónica's specific and identifiable renewable energy projects	Telefónica commits to: Renewable energy sources for its business: 100% renewable electricity consumption by 2030. By 2022, it already consumed 100% RE electricity in its operations in Europe, Brazil and Peru, and 82% globally Telefónica commits to contributing to avoiding emissions through customer services in a substantial proportion with respect to our own emissions of scope 1+2 by 2025.	SDG 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. SDG 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation	Climate Change Mitigation

Data-driven solutions	Development and implementation of digital products and services, based on but not limited to technologies like the Internet of Things (IoT), Big Data, or Artificial Intelligence (AI), with a focus on saving energy and/or natural resources. Telefónica is an end-to-end service provider. Digital products and services include all the layers that make up the ICT solution: connectivity technologies, hardware (connecting assets, devices and endpoints), software and data processing, hosting and analytics. Digital products and services include but are not limited to solutions like Smart metering, Smart Energy; Smart cities Platform, Smart Mobility, Smart Industry, Smart Agro, Smart Retail or Consumer IoT solutions, as well as other End to End (E2E) ICT solutions provided by Telefónica to clients.		SDG 7.3 By 2030, double the global rate of improvement in energy efficiency. SDG 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation SDG 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. SDG 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle SDG 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Climate change mitigation
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Eligible Social Projects

Project Category	Eligibility Criteria	Target Population	UN SDG Contribution
Inclusive connectivity (access to essential services)	Broadband Equality. Accelerating deployment of broadband in unconnected¹⁴, underserved¹⁵ or socially vulnerable¹⁶ areas. Deployment, extension, and optimization of broadband (fixed or mobile) connectivity services in unconnected, underserved or socially vulnerable areas, in order to provide broadband connectivity.	Underserved Population with limited or low-quality access to broadband networks in socially vulnerable, and/or rural and/or remote areas ¹⁷ .	SDG 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. SDG 9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020

2.2 Project Selection and Evaluation Process

A Sustainable Financing Committee (the "Committee") will monitor the project selection and evaluation process as per the eligibility criteria defined in the Use of Proceeds section.

This Committee will meet on an annual basis, or more frequently as required, and is composed of senior management representatives from Telefónica including:

- Finance department
- Sustainability department
- Control department
- Other technical areas

The Committee will be responsible for the following:

- Review and validate the selection of Eligible Projects based on the defined Eligible Categories listed in the Use of Proceeds
- Monitor the Eligible Projects Portfolio (the "Portfolio"), during the life of the transaction. Specifically, during the life of each Financing Instrument, the Committee can decide to replace some Eligible Projects if an Eligible Project no longer meets the eligibility criteria
- To manage any future updates of the Framework; and
- To oversee and validate the allocation and impact reporting

ESG Risk Management

Telefónica's Business Principles and the Risk Management Policy, establish that the entire organization has the responsibility to contribute to the identification and management of risks. The risk management process takes the Company's strategy and objectives as a reference for the identification of the main risks that could affect its

¹⁴ Unconnected: with no service (fixed or mobile) from any operator.

¹⁵ Underserved communities: communities with at least one mobile service from an operator without broadband capacity. The backhaul or access capacity of the given site do not allow a quality Internet experience. To avoid any doubt, in accordance with the new definition (2018) of the FCC (Federal Communications Commission), the definition of broadband connectivity is a minimum of 25 Mbps download speeds and 3 Mbps upload speeds. This would include, among others, HSPA+, 4G and 5G mobile broadband technologies. In general (but not necessarily), it involves scattered populations and rural municipalities.

¹⁶ To define the socially vulnerable population, Telefónica relies on the criteria and definition most relevant for each specific region or country which may be provided by a variety of sources, including national governments, NGOs, or the OECD.

¹⁷ Rural or remote areas are those that the local government in question defines as such according to their political and geographical structure and organisation.

achievement. Such process consists of four stages: 1) risks identification, 2) risks assessment; 3) risk response and action plan against risks, 4) monitoring and reporting.

In accordance with the provisions of the Telefónica's Risk Management Policy, one of the basic principles that guide this activity is: "Train and involve employees in the risk management culture, encouraging them to identify risks and actively participate in their mitigation", thus promoting communication and training continuously. This has led us to develop a wide array of internal policies and regulations. Those of which related to sustainability are summarised in the below infographic:

 Ethics	 Supply chain	 Privacy and freedom of expression
• Global Anti-Corruption Policy. • Policy on Compliance Function (new). • Rule on Compliance Function (new). • Crime Prevention Policy. • Internal Rules of Conduct. • Regulation on the Prevention and Management of Fraud in Telecommunications. • Regulations on Relations with Public Entities. • Complaints Channel Management Policy. • Corporate Policy on the Comprehensive Discipline Programme. • Fiscal Control Policy. • Policy on Risk Management. • Policy on Competition Law (new). • Regulation on Sanctions (new).	• Policy on Supply Chain Sustainability. • Regulation on Supply Chain Sustainability. • Global rule on security in the supply chain. • Low Carbon Procurement Instruction. • Procurement of Goods and Services Regulations.	• Global Privacy Policy. • Personal Data Protection Governance Model Regulations. • Regulations on Requests from Competent Authorities in Security (new). • Global Security Policy

 Human capital	 Human rights	 Responsible communication	 Environmental management and climate change
• Protocol for Action in Situations of Workplace or Moral Harassment, Sexual Harassment and Discrimination • Regulation on Occupational Health, Safety and Well-being • Diversity and Inclusion Policy • Equality Policy (new) • Diversity Policy in relation to the Board of Directors and Selection of Directors • Remuneration Policy of the Directors of Telefónica, S.A.. • Regulation on Telefónica Group Reinstatement of Former Managers and Former Employees	• Global Human Rights Policy • Principles of Artificial Intelligence	• Market Disclosure Regulations • Shareholder Communication Policy • Responsible Communication Regulations • Social Media Regulations	• Global Environmental Policy • Energy Management Policy

COVERAGE OF POLICIES AND REGULATIONS: The main policies and regulations indicated above are applicable to Telefónica Group companies within the scope of consolidation.

On the ESG field, environmental, climate change and human rights are the main risks identified by Telefónica. These risks are regularly assessed and monitored by the Company to ensure that they are properly managed, and addressed by the following policies:

Environmental Policy

At Telefónica, we see it as our responsibility minimise the environmental impact of our business. We strive to follow the fundamental principles of climate change mitigation, pollution prevention, biodiversity protection, efficient use of water and the circular economy, which our Environmental Policy¹⁸ details.

¹⁸ [Telefónica Global Environmental Policy](#).

Human Rights Policy

Telefónica committed to respecting the dignity of all persons and as such has developed a stringent Human Rights policy based on well-recognised standards, and in particular:

- The United Nations Guiding Principles for Business and Human Rights
- The United Nations Universal Declaration of Human Rights,
- The United Nations Global Compact,
- The United Nations International Covenant on Economic, Social, and Cultural Rights,
- The Guidelines of the Organisation for Cooperation and Economic Development for Multinational Companies,
- The fundamental rights in the eight core conventions of the International Labour Organisation as highlighted in the Declaration on Fundamental Principles and Rights at Work,
- The United Nations International Covenant on Civil and Political Rights,
- The United Nations Convention on the Rights of the Child,
- The United Nations Convention on the Rights of Persons with Disabilities.
- The Global Network Initiative's Principles on Freedom of Expression and Privacy ("the GNI Principles")

Supply Chain Sustainability Policy

Our ambition to be a global leader in responsible business conduct has led us to extend our sustainability standards and policies to our suppliers with our Supply Chain Sustainability Policy¹⁹, which sets forth requirements in terms of working conditions & human rights as well as environmental and social criteria. Any company or organization that wishes to be considered as a Telefónica supplier must comply our policy, and any breach by a supplier will be considered a breach of contract, allowing Telefónica to end its commercial relationship with the Supplier.

All Eligible Projects as defined above in this Framework will comply with Telefónica's policies and guidelines, which are further detailed on Telefónica's website²⁰.

2.3 Management of Proceeds

It is Telefónica's intention to manage the proceeds of the Green, Social or Sustainability Financing Instruments, establishing a Sustainable Financing Register (the "Register").

The net proceeds of each Telefónica's Green, Social or Sustainability Financing Instrument will be deposited in the general funding accounts and earmarked for allocation using the Register.

Telefónica intends to fully allocate the instruments within [12/24] months, on a best effort basis. Until they are fully allocated to Eligible Projects, proceeds will be invested according to Telefónica's internal liquidity policy.

If some Eligible Green Projects or Eligible Social Projects cease to be eligible, are divested or subject to major ESG controversies, Telefónica will replace them as soon as reasonably practicable and within [24] months.

The Sustainable Financing Register will be reviewed annually and contain relevant information including:

1. Details of the Sustainability Financing Instruments: ISIN, pricing date, maturity date, etc
2. Per Green, Social and Sustainability Financing Instruments issued, details of Eligible Use of Proceeds, including:
 - Project Categories and eligibility criteria
 - Amount of allocation made
 - Estimate of Eligible Project's impact

¹⁹ [Supply Chain Sustainability Policy Telefónica Group.](#)

²⁰ [Business Principles and Policies.](#)

2.4 Reporting

On an annual basis and until an amount equal to the net proceeds have been fully allocated, Telefónica will publish an allocation report and an impact report, which can be found on Telefónica's website: <https://www.Telefónica.com/en/shareholders-investors/rating/sustainable-finance/>.

Each reporting will encompass all the outstanding Green, Social or Sustainability Financing Instruments for which all or some of the proceeds were not fully allocated the year prior.

Wherever possible, Telefónica intends to align its reporting with the approach described in the "Handbook – Harmonised Framework for Impact Reporting"²¹ and the "Harmonised Framework for Impact Reporting for Social Bonds"²².

If, after the completion of the allocation period, some Eligible Projects cease to become eligible or are subject to major ESG controversies Telefónica will publish an updated report.

2.4.1 Allocation Reporting

The Allocation Report will contain at least the following details:

1. A list of Eligible Projects financed through Telefónica's Green, Social, or Sustainability Financing Instruments, including amounts allocated.
2. Financing Instrument(s) proceeds allocated per eligible category.
3. Split of the Eligible Projects per geography and type of expenditures.
4. The remaining balance of unallocated proceeds if any.

2.4.2 Impact Reporting

The Impact Report will be provided at the level of each eligible category and may include the following estimated impact reporting metrics:

Green Project Categories	Impact Reporting Metrics
Energy Efficiency of Telefónica's Network Infrastructure	• Energy consumption per data traffic (MWh/PB or equivalent unit) • Estimated GHG Emissions reduced (tCO2eq) • Expected energy saved (in MWh)
Renewable Energy	• Renewable MWh generated or purchased • % of electricity consumption from renewable sources • Estimated avoided GHG Emissions (tCO2eq)
Data-driven solutions	• Estimated avoided GHG Emissions through services (tCO2eq) • Expected energy savings (in MWh) • Service-related KPI's such as number of smart meters. • Qualitative reporting on new innovations
Social Projects Categories	
Inclusive connectivity (access to essential services)	• Population covered with broadband networks in unconnected or underserved or socially vulnerable areas • Number of users connected with broadband networks in unconnected or underserved or socially vulnerable areas

²¹ ICMA (2022, June). [Harmonised Framework for Impact Reporting Green Bonds](#).

²² ICMA (2022, June). [Harmonised Framework for Impact Reporting Social Bonds](#).

2.5 External Review

2.5.1 Second Party Opinion

Telefónica has appointed Sustainalytics to provide a Second Party Opinion (SPO) on this Sustainable Financing Framework and confirm its alignment with the relevant ICMA, LMA, APLMA and LSTA Principles.

This Second Party Opinion document will be made available on Telefónica's website:

<https://www.Telefónica.com/en/shareholders-investors/rating/sustainable-finance/>.

2.5.2 Post Issuance External Verification

External independent auditors appointed by Telefónica will ensure that the Allocation and Impact Report are consistent with Telefónica's Framework, on an annual basis until full allocation and provide a Limited Assurance report. Auditors will in particular review the compliance of the selected eligible projects and reporting impact metrics with the Framework.

Amendments to this Framework

Telefónica will review this Framework from time to time, including its alignment to updated versions of the relevant ICMA, LMA, APLMA, and LSTA principles as and when they are released, with the aim of adhering to best practices in the market.

Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior review of the SPO provider for any updates to the SPO. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external verifier.

The updated Framework, if any, will be published on Telefónica's website and will replace this Framework.

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