

Climate Action Plan

July 2026





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Introduction

Metrics and targets

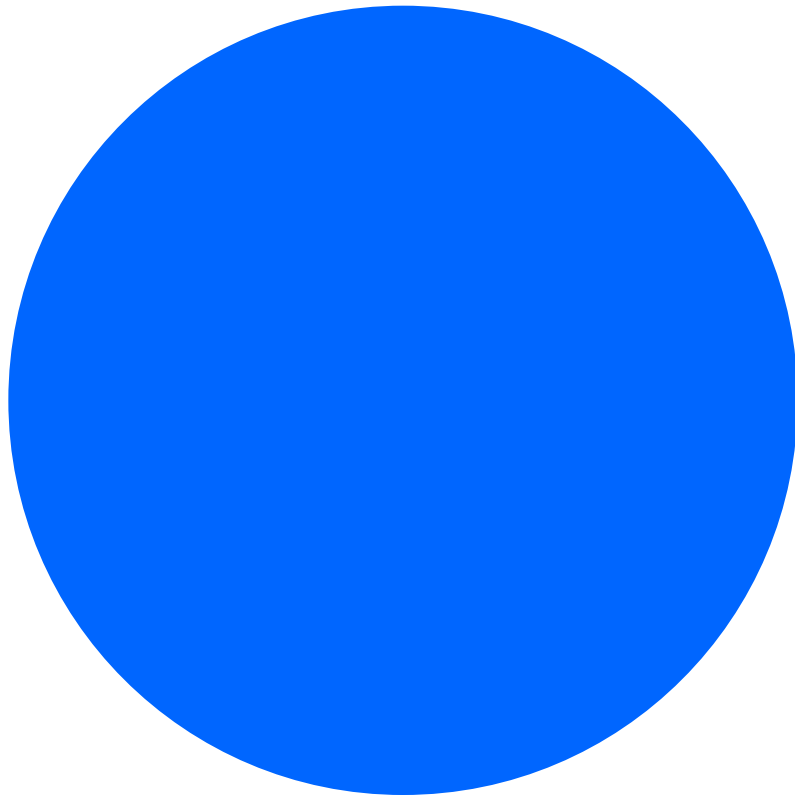
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Climate change and digitalization



Telefónica's energy and climate 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.



The **transition to a decarbonised economy** is the complex solution being developed by governments, businesses and society **in response to the climate crisis**.

The international scientific community warns in its sixth report of the Intergovernmental Panel on Climate Change (IPCC), that the average global temperature increased by 1.09°C between 2011 and 2020. Under any of the five climate scenarios analysed, the temperature increase will exceed 1.5°C by mid-century, remaining only below that level in 2100, in the most optimistic scenario, and reaching an increase of 4.4°C in the most pessimistic scenario. Therefore, it is clear that there is an urgent need to work together immediately to avoid catastrophic and irreversible consequences, while also working to adapt to this new reality.

The goal is to **achieve net zero emissions**, ideally by 2050 which is defined as the stage at which anthropogenic Greenhouse Gas (GHG)¹ emissions are balanced with those removed from the atmosphere. The Net-Zero Standard² states that a company achieving net zero emissions entails both **reducing its GHG emissions in line with the 1.5°C scenario and neutralising residual emissions** by removing or absorbing CO₂ from the atmosphere and permanently storing it through technological initiatives or nature-based solutions. In 2022, Telefónica was the **first telecommunications operator to have its 2040 net zero target validated** by the Science Based Targets initiative (SBTi).

At present, **increasing climate-related regulation** is a key driver for corporate climate transition, transparency and action. The European Sustainability Reporting Standard on Climate Change (ESRS E1) of the

EU Corporate Sustainability Reporting Directive (CSRD), the recently adopted EU Corporate Sustainability Due Diligence Directive (CSDDD) and the incorporation of the Sustainability Reporting Standards (IFRS) of the International Sustainability Standards Board (ISSB) in Brazil are clear examples of such. With the entry into force of these standards, companies must gradually include climate-related risks and opportunities in their strategy and reporting, as yet another element of their business, adopting an ambitious, rigorous and effective management approach. Specifically, there are requirements for companies to have a **transition plan** such as the one outlined in this document.

Telefónica's ambition has led it to focus on reducing its CO₂ emissions and those of its value chain for over a decade. It has set specific energy and climate targets for 2030 and 2040, structured around specific goals related to energy efficiency and renewable electricity to harness transition opportunities.

Additionally, the Company has also incorporated circularity criteria into its business model, which contributes to reducing the risk of resource depletion, increases the resilience of the supply chain and helps to reduce GHG emissions.

Telefónica also has opportunities linked to its products and services, because the mitigation and adaptation of other sectors will come hand-in-hand with their digital transformation. This is reflected in the Declaration on Green Digital Action³ promoted by the International Telecommunication Union (ITU), which states that **digital and telecommunications technologies facilitate emission reductions in several economic sectors**.

¹ According to the IPCC glossary, greenhouse gases are gases in the atmosphere that absorb and emit radiation at certain wavelengths, causing an increase in temperature, known popularly as the Greenhouse Effect. The main GHGs are carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), but there are also other GHGs, such as sulphur hexafluoride (SF₆), hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs). The unit of measurement for emissions of the different GHGs is tCO₂e, which is obtained by multiplying the emissions of the specific GHG by its Global Warming Potential (GWP).

² This SBTi Standard is available at the following link [Net-Zero-Standard \(sciencebasedtargets.org\)](https://sciencebasedtargets.org/)

³ Further information at <https://www.itu.int/initiatives/green-digital-action/events/cop29/declaration/>

Climate change and digitalization



Telefónica’s Climate Action Plan establishes the Company’s targets and actions to achieve net zero emissions and to increase its resilience in this context. It also details how Telefónica will contribute to reducing emissions from other sectors thanks to its connectivity and digitalisation services.

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, both in its commercial and financial strategy and in its supply chain processes. The Plan contains key performance indicators (KPIs) and defines the Company’s oversight and accountability responsibilities.

The Climate Action Plan’s objectives are aligned with and integrated into Telefónica’s **2026–2030 Sustainability Plan**, the Company’s environmental, social and governance roadmap for the coming years.

The Sustainability Plan was conceived from the outset as a results-oriented management framework, with impact indicators materialised in 2025. It shows how sustainability can generate measurable value in terms of business growth, operational efficiency, investment attraction and risk mitigation, while also contributing to social and environmental progress.

The transformation process at Telefónica has led to changes in the Company’s scope of consolidation. Accordingly, the emissions data presented in this Plan reflects the figures of the companies included within the Group’s reporting scope as of the publication date of this report.

The following infographic highlights selected climate initiatives that **create business value**:





Introduction

Metrics and targets

Risks and opportunities

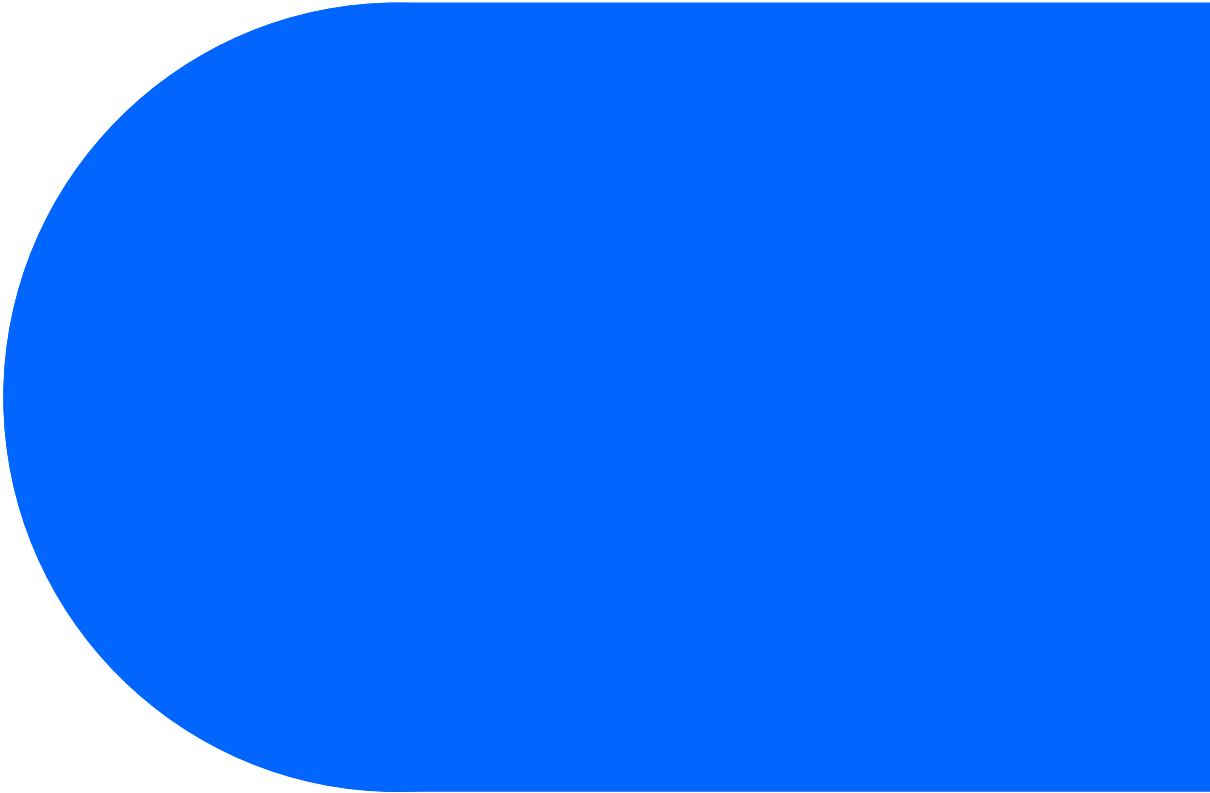
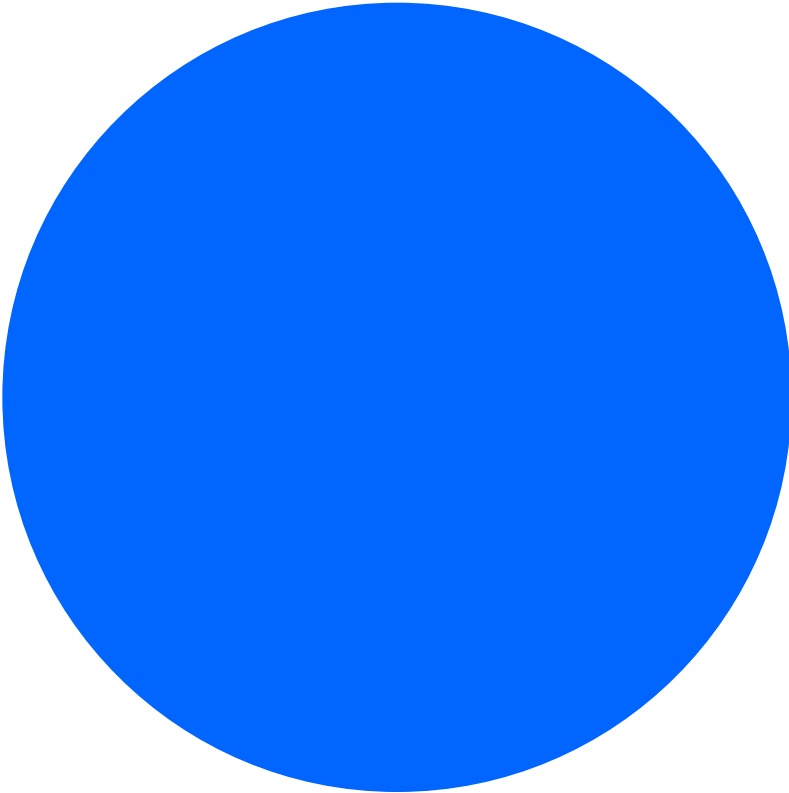
The road to net zero

Models of the plan

Our Plan, at a glance

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- Our emissions >

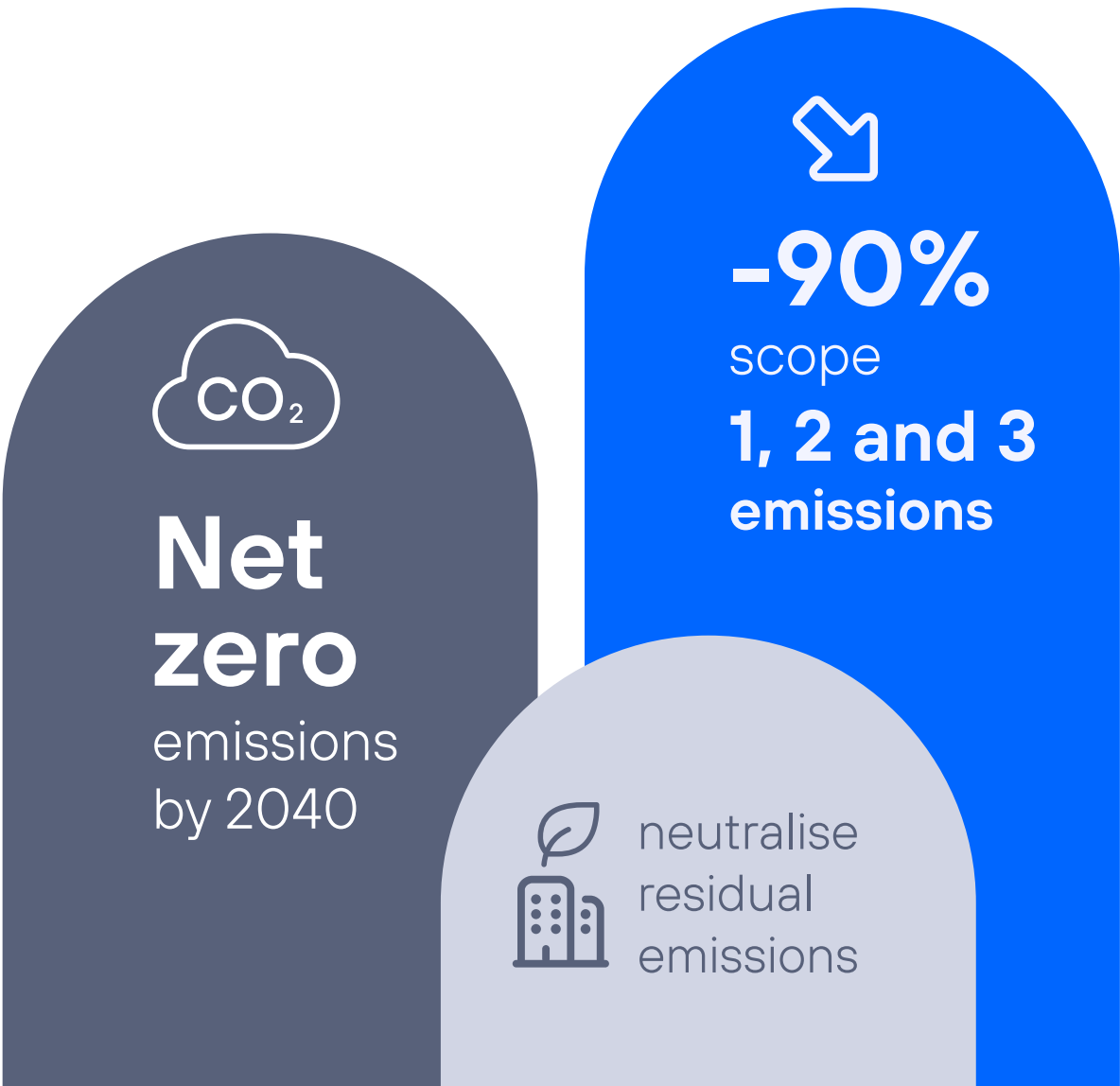


Metrics and targets

Our targets

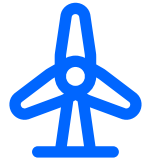
Vision

Telefónica's ambition is to **achieve net zero emissions by 2040**, including its value chain emissions:



Management plans

Due to the cross-cutting and global nature of **climate change**, it is **integrated into the management** of Telefónica's main aspects, such as corporate governance, strategy, risks and targets. The Company has set ambitious targets and **strategic decarbonisation levers** to be aligned with the 1.5°C pathway:

 More efficient transformation of telecommunications networks	 Renewable Energy Plan	 Energy Efficiency Plan
 Emission offsetting strategy	 Supplier engagement to decarbonise the supply chain	 Promoting the circular economy for equipment
 Portfolio of products and services that can generate environmental benefits (Eco Smart)	 Carbon pricing	 Mainstreaming climate change into organisational culture and partnerships with other associations

Metrics and targets

Our targets



In 2022, Telefónica became the first telco with net zero targets validated by SBTi⁴.



Specific targets

As part of its decarbonisation strategy, Telefónica has set **interim targets**. These will help it progress towards net-zero emissions by 2040.

	Targets ⁴		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
2030	-90%	-56%	-95% energy consumption per unit of traffic compared to 2015	100% of electricity from renewable sources ⁵	100% waste reused and recycled (Zero Waste)	Help customers reduce their CO₂ emissions , through connectivity and Eco Smart services	Continue to offset/neutralise scope 1 and 2 emissions in main markets
2040	Reduce total emissions by 90% Net zero emissions						Neutralise residual emissions annually (10%)

4 These are absolute reduction targets compared to the base year, which is 2015 for scope 1 and 2 emissions and 2016 for scope 3 emissions. Targets do not include offsetting through carbon credits or avoided emissions.

5 Refers to electricity consumption in own facilities.

Metrics and targets

Our targets

Monitoring of targets

In 2025, the **scope 1 and 2 emissions** of Telefónica⁶ **decreased by 67% and 98%**, respectively, compared to 2015 emissions. Combined, operational emissions decreased by 93%, representing 1,021,146 tonnes of CO₂e less emitted into the atmosphere.

Emissions from the value chain (scope 3) decreased by 28.2% in 2025 compared to 2016, equivalent to 934,138 tonnes of CO₂e.

Changes in the Telefónica Group’s scope of consolidation, together with the screening process⁷ have led to a recalculation of emissions for the base year and for the financial years 2024 and 2025, in accordance with best practice under the GHG Protocol and SBTi standards. This allows for both the comparability of GHG emissions across different financial years and the proper monitoring of progress towards emission reduction targets.

The diagram on this page shows the Group’s performance against the targets set across different time horizons.

The targets set for 2025, relating to reducing operational emissions in key markets and offsetting their scope 1 and 2 emissions, **have been met**. Furthermore, due to the divestments of companies up to the publication date of this report, the operational emissions reduction target set for 2030 has already been achieved. Progress is also being made in performance related to energy efficiency and renewable energy indicators. However, this situation has worsened performance in the reduction of scope 3 emissions, which has fallen from 34% to 28%.

Telefónica is aware that scope 3 targets present a significant challenge, given their greater complexity and reliance on third parties within the value chain.

Nevertheless, it is strengthening its action levers and collaboration mechanisms to make progress towards achieving these targets.



	Performance 2025	Target	Progress ⁸
Reduction of total emissions (scopes 1+2+3) >	44.4%	> 90% by 2040	> 49%
Reduction of scope 1+2 emissions ⁹ >	92.8%	> 90% by 2030	> 103%
Reduction of scope 3 emissions >	28.2%	> 56% by 2030	> 50%
Reduction of scope 1 and 2 emissions (key markets) >	95.5%	> 90% by 2025	> 106%
Offsetting of scope 1 and 2 emissions (key markets) ¹⁰ >	100%	> 100% by 2025	> 100%
Renewable electricity in own facilities >	93.4%	> 100% by 2030	> 93%
Improved energy consumption per unit of traffic (energy efficiency) >	91.6%	> 95% by 2030	> 96%

6 The 2025 emissions figures presented correspond to companies within the Telefónica Group’s reporting scope as of the publication date of this report (July 2026); accordingly, they are not the same as those reported in the annual Sustainability Report.

7 The scope 3 screening process has improved the quantification methodology and has influenced the selection of significant scope 3 categories, thereby enhancing the completeness and robustness of the Company’s current inventory.

8 2025 performance compared to target. To calculate this, information corresponding to the Telefónica Group’s scope of companies as of the publication date of this report (July 2026) has been used, meaning that the performance incorporates the effect of divestments completed up to July 2026.

9 Scope 2 emissions are calculated according to the market-based method.

10 Key markets mean operations in Spain, Germany and Brazil.

Metrics and targets

Our emissions

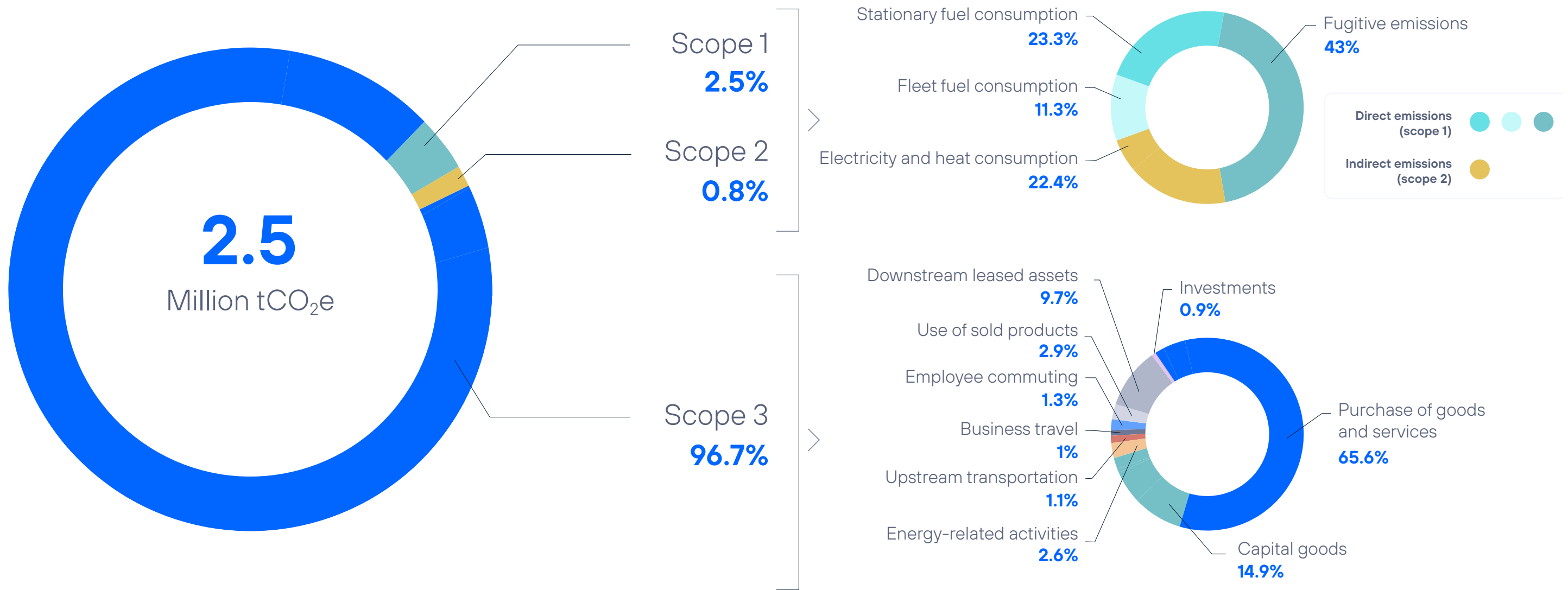
Telefónica calculates annually the carbon footprint of its operations (scopes 1 and 2) and its value chain (scope 3). It also draws up an emissions inventory **following the methodological guidelines of the GHG Protocol**, based on the principles of relevance, completeness, consistency, transparency and accuracy. For more details, please consult the [» annual management and sustainability report](#), available on Telefónica’s website.

The information in this chapter reflects the emissions data of the companies within the Telefónica Group’s reporting scope as of the publication date of this report and, therefore, does not correspond to the verified emissions at year-end 2025.

To ensure the calculation process is comprehensive and the provided data are credible and transparent, **the emissions inventory is verified by an independent third party**. In addition, avoided emissions from renewable energy consumption and implemented energy efficiency measures are calculated each year.

Telefónica’s 2025 GHG emissions, by scope

In **2025**, the Telefónica Group emitted **2.5 million tonnes of CO₂e**¹¹, with the following distribution:



Scope 1
61,860 tCO₂e

Direct emissions represent approximately 2.5% and arise from activities that are controlled by the Group. This includes emissions from fuel consumption in both stationary sources and in the vehicle fleet, as well as fugitive emissions of fluorinated gases, mainly used in air-conditioning equipment.

Scope 2
17,864 tCO₂e

Indirect emissions arising from the generation of purchased electricity account for nearly 0.8%¹². 96% of the energy consumption is electricity consumption, thus it is essential for Telefónica to make an efficient use of this resource.

Scope 3
2,373,258 tCO₂e

96.7% of total emissions are currently indirect emissions from Telefónica’s value chain, both upstream and downstream, resulting from its activities but occurring in sources not owned or controlled by the Company.

¹¹ Emissions of the Telefónica Group, including the effect of divestments completed up to the publication date of this report (July 2026). Verified information corresponding to the scope of companies at the year-end 2025 can be found in the 2025 Management and Sustainability Report.

¹² Telefónica calculates scope 2 emissions according to the market-based method, which reflects any contractual instruments between energy generators and consumers, such as renewable energy certificates or guarantee of origin certificates. Using the location-based method, which uses the average power generation emission factors for the organisation’s locations, GHG emissions in 2025 would have amounted to 575,478 tCO₂e.

Metrics and targets

Our emissions



Since 2016, Telefónica has been preparing a complete, accurate and transparent GHG emissions inventory, which considers the three scopes and is the basis of our climate strategy.



Given the significance of scope 3 emissions in Telefónica’s carbon footprint, and in order to improve data quality and strengthen the calculation methodology, the Company updated the screening¹³ of the 15 scope 3 emissions categories in 2025, in accordance with the GHG Protocol’s Corporate Value chain Accounting and Reporting Standard. This process identified as significant those categories most relevant to the business and

those for which decarbonisation levers can be established. The nine scope 3 categories identified as significant account for 99% of value chain emissions.

The **total GHG emissions** of the main companies are given below, broken down by **scopes 1 and 2** and by the significant **scope 3** categories:

EMISSIONS (tCO ₂ e)	TELEFÓNICA GROUP	T. SPAIN	T. GERMANY	T. BRAZIL	OTHER COMPANIES ¹⁴
Scope 1+2 (market)	79,724	18,228	4,535	23,704	33,257
Scope 1	61,860	18,130	4,138	23,704	15,888
Scope 2 (market)	17,864	97	397	0	17,369
Scope 3	2,373,258	897,482	537,652	608,745	329,378
Category 1	1,555,706	556,825	377,243	370,801	250,837
Category 2	353,218	136,879	40,265	148,091	27,984
Category 3	60,487	2,043	20,782	24,753	12,909
Category 4	26,519	19,566	203	6,170	580
Category 6	24,561	6,872	1,138	6,765	9,786
Category 7	31,838	10,190	2,031	13,931	5,685
Category 11	68,775	44,985	19,732	4,058	0
Category 13	230,012	116,837	76,258	34,089	2,828
Category 15	22,142	3,286	0	86	18,770
Total GHG emissions	2,452,982	915,710	542,187	632,449	362,636

Telefónica is working on various initiatives to reduce its own emissions and has been implementing collaborative actions and projects to reduce emissions in the value chain for several years:

 [see chapter Operational model](#)  

 [see chapter Value chain model](#)  

13 Further information on the screening results can be found in the Telefónica Group’s [2025 Sustainability report](#).

14 “Other Companies” consolidates emissions from Telefónica Infra, Telefónica Tech, telecommunication operators located in Latin America, as well as other global Group companies such as Telefónica Global Solutions.



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Risks and
opportunities

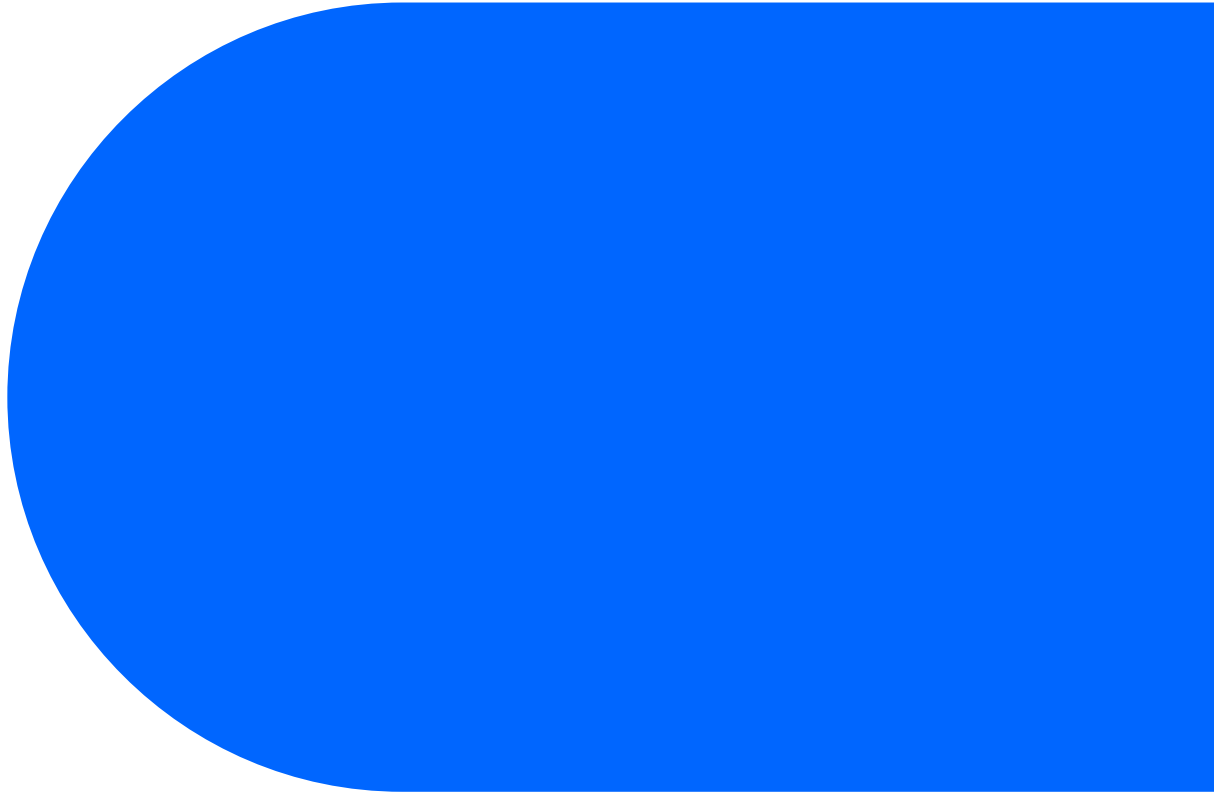
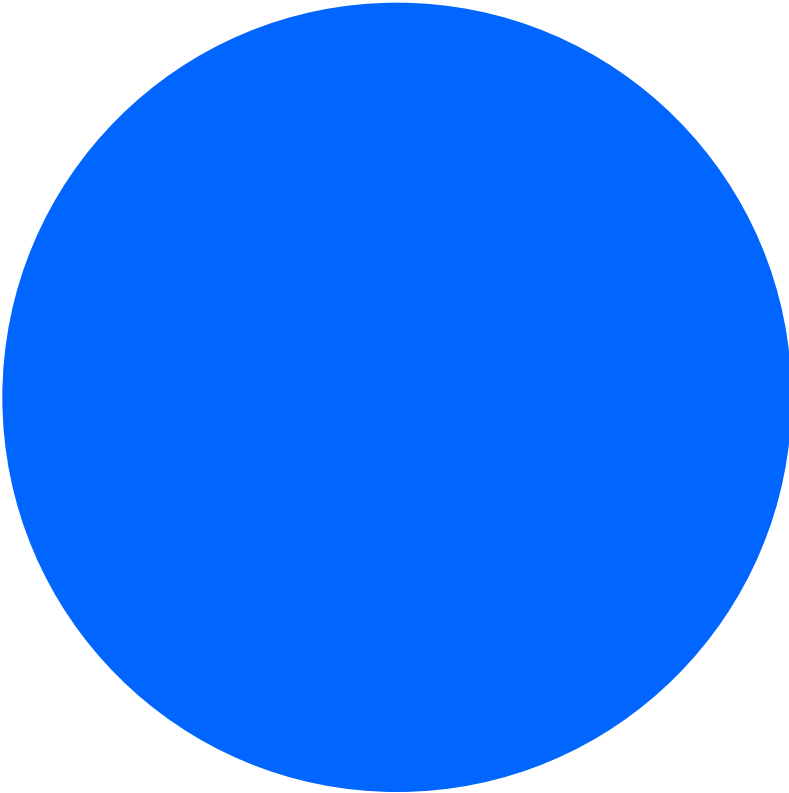
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Risks and opportunities

Methodology



The growing frequency and intensity of extreme weather events can significantly affect organisations that are not adequately prepared for climate-related threats, reinforcing the importance of strengthening business resilience and adaptability.



The IPCC’s Sixth Assessment Report¹⁵ states that climate change will lead to an increase in temperatures and more extreme weather events, affecting ecosystems, public health and the global economy. According to the report, ocean warming over the last century has been the greatest since the last interglacial period and sea level rise has been the fastest in the last 3,000 years.

The increased frequency and severity of extreme climate events can have a major impact on various sectors of the economy and specifically on organisations that are not prepared for the threats that climate change represents for their business model, assets and infrastructure.

Due to this, companies are starting to assess the risks and opportunities that the effects of climate change generate for their activities. This analysis helps to incorporate climate considerations into medium- and long-term business decisions, seeking to minimise risks and maximise opportunities.

Telefónica follows the standards defined in the **Corporate Sustainability Reporting Directive (CSRD)** and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in its process of assessing climate-related risks and opportunities. These risks are coordinated under Telefónica’s global risk management framework.

The assessment is performed on the fixed and mobile telecommunications infrastructure and business in the countries where it is present, including more than 100,000 physical assets, from telecommunication towers, data centres and switch centres to storage facilities, as they are the most representative of its activity and those most exposed to climate change.

The **physical risks** are assessed by using projections of climate variables for two different scenarios that consider socio-economic projections and representative CO₂ concentration pathways (SSP – Shared Socioeconomic Pathway and RCP – Representative Concentration Pathway), defined by the

IPCC in its latest report (AR6) for the short-term (2030), medium-term (2040) and long-term (2050) time horizons.



> **SSP1-2.6 scenario:** considered in the exercise as “optimistic”, it represents a future in which policies focus on human wellbeing, the development of clean technologies and the conservation of the natural environment. It foresees economic growth driven by energy efficiency, characterised by lower consumption. It projects an increase in temperature of between 1.5°C and 2°C over pre-industrial levels by 2100.



> **SSP5-8.5 scenario:** considered in the exercise as “pessimistic”, it represents a future in which policies focus on the free market and society continues to make intensive use of fossil fuels. It is predicted that the temperature and GHG emissions will continue to rise, which would result in a temperature increase of 5.5°C over pre-industrial levels by 2100 and heightened economic impact due to the effects of climate change.

The **transition risks and opportunities** are assessed with the **NGFS¹⁶** Net Zero scenario, which describes the efforts needed to reduce GHGs and achieve global net zero emissions. The analysis considers different variables, such as the price of carbon in the future and the price of energy.

For each identified physical risk, Telefónica estimates its likelihood of occurrence, potential impact and economic valuation. This assessment determines the expected level of exposure for each risk type under each climate scenario analysed.

The results of the climate scenario assessment are integrated into the Company’s strategic and financial planning processes. They help identify potential impacts on operations, critical infrastructure and energy costs, and support CapEx decisions aimed at strengthening resilience, improving energy efficiency, modernising networks and deploying renewable energy solutions.

¹⁵ The full report (AR6), the technical summary and the summary for policy makers are available at: <https://www.ipcc.ch/report/ar6/wg2/>

¹⁶ The Network for Greening the Financial System (NGFS) is a group of central banks and supervisors sharing best practices and contributing to the development of environmental and climate risk management in the financial sector.

Risks and opportunities

Assessment results



The economic benefits of the climate-related opportunities are almost three times greater than the costs arising from climate-related risks.



The quantitative and qualitative analysis of **risks and opportunities** is based on the following information:

Projection of climate variables based on SSP1-2.6 and SSP5-8.5 scenarios	Projection of non-climatic variables based on the NGFS Net Zero 2050 scenarios	Damage curves	Projection of variables not based on scenarios	Telefónica's physical assets	Analysis of Telefónica's historical data
such as temperature increase, precipitation, or number of days with extreme temperatures.	such as the price of energy or the price of CO ₂ emissions.	are mathematical representations, extracted from CLIMADA ¹⁷ , that describe the economic loss to an asset based on the severity of a climate threat.	such as the increase in digital services or the future forecast of the Company's GHG emissions.	with their respective geolocation and economic valuation, which are cross-referenced with scenario-based projections of climate variables.	such as GHG emissions, electricity consumption and average electricity prices.

The analysis resulted in several risks and opportunities being identified that could cause economic impacts for the Company.

In the SSP1-2.6 scenario, the financial effects associated with physical climate risks increase gradually between 2030 and 2040 and begin to decrease as from 2050. This illustrates the result of international efforts to implement mitigation plans.

However, the SSP5-8.5 scenario shows how the financial effects deriving from physical risks increase gradually from 2030 to 2050, being 3 times greater compared to the optimistic scenario.

As regards the climate-related risks of transition, the analysis shows that the market risk is the most significant one due to the Company's high electricity

consumption required for operations, so that an increase in the price of electricity driven by new carbon taxes targeting the energy sector would have a major impact on the total expenditure.

However, given the nature of Telefónica's business, the Company is also well positioned to capture significant opportunities. Particularly relevant are those linked to the growth of digital solutions that help customers decarbonise their operations, supported by a broad and comprehensive portfolio of services tailored to the needs of key markets. Opportunities associated with cost savings from long-term renewable energy purchase agreements (PPAs) are also significant.

¹⁷ CLIMADA is an interdisciplinary model to assess climate-related risks, which combines climate modelling, economics, engineering and social sciences. It has been developed by ETH Zurich, C2SM, Swiss Re, and other research institutions.

Risks and opportunities

Climate-related risks and opportunities management

The identification of the climate-related risks and opportunities has been the **starting point for the definition of the decarbonisation strategy**, which is structured around models with specific actions that define Telefónica’s process of transitioning to a decarbonised, resilient company.

The **main physical and transition risks identified** are shown below, along with their financial impact at a qualitative level and the management and/or mitigation strategy:



Risk

Category	Nature	Risk description
Physical risks - chronic	 Variations in temperature (air)	Higher electricity consumption due to increased cooling needs and higher electricity prices due to an increased demand.
Physical risks - acute	 Heat waves	
Physical risks - acute	 Drought	Potential increase in electricity prices during periods of drought, especially in countries dependent on hydro generation.
Physical risks - acute	 Forest fires, floods (coastal, fluvial, pluvial) and landslides	Business continuity risk and increased cost of replacement/repair of damaged assets due to the increased occurrence of extreme weather events.
Transition risks	 Regulatory	Price increases for energy due to CO ₂ taxes or charges applicable to the supply chain.
Transition risks	 Market	Increase in energy OpEx due to higher electricity prices. Potential increase in price of carbon credits.

 Financial impact

 **Increase in operating costs.**

 **Increase in operating costs due to replacement of damaged assets.**

 **Decrease in revenues due to service outages.**

 **Increase in operating costs due to application of carbon taxes or charges.**

 **Increase in operating costs.**

 Risk management and mitigation

To manage these chronic physical risks, Telefónica has an Energy Efficiency Plan aimed at reducing energy consumption and a Renewable Energy Plan, which allows Telefónica to be less dependent on fluctuations in electricity prices thanks to long-term renewable power purchase agreements (PPAs).

The energy efficiency projects, such as modernising network equipment, enable that equipment to operate at higher temperatures.

OPERATIONAL MODEL  [>](#)

Telefónica has Business Continuity plans applicable to all relevant processes and/or services, which aim to ensure the maximum resilience of its operations in the event of any possible interruption.

It also has a crisis management system with a Crisis Committees structure, which are activated if needed and supported by specialists for each type of incident. Likewise, it takes into consideration insurance coverage for potential asset damage, as well as service unavailability due to extreme weather events, as part of the insurance model.

ADAPTATION MODEL  [>](#)

Given that the risk of increased regulatory requirements related to climate change may affect the supply chain, the organisation develops collaborative projects with its suppliers and other companies in the telecommunications sector that face the same challenge.

VALUE CHAIN MODEL  [>](#)

To manage this risk and reduce exposure to rising energy prices and fluctuations in carbon credit prices, there are different strategies to curb energy consumption and limit exposure to price fluctuations. These mainly include measures concerning energy efficiency, renewables and internal carbon pricing.

OPERATIONAL MODEL  [>](#)

Risks and opportunities

Climate-related risks and opportunities management

As mentioned above, the opportunities arising from a transition to a low-carbon scenario are greater than the potential risks associated with climate change for the Company. In this respect, a number of measures are being implemented to take advantage of them.

The **main opportunities** for Telefónica linked to climate change, their financial impact and the way they are managed are detailed below:



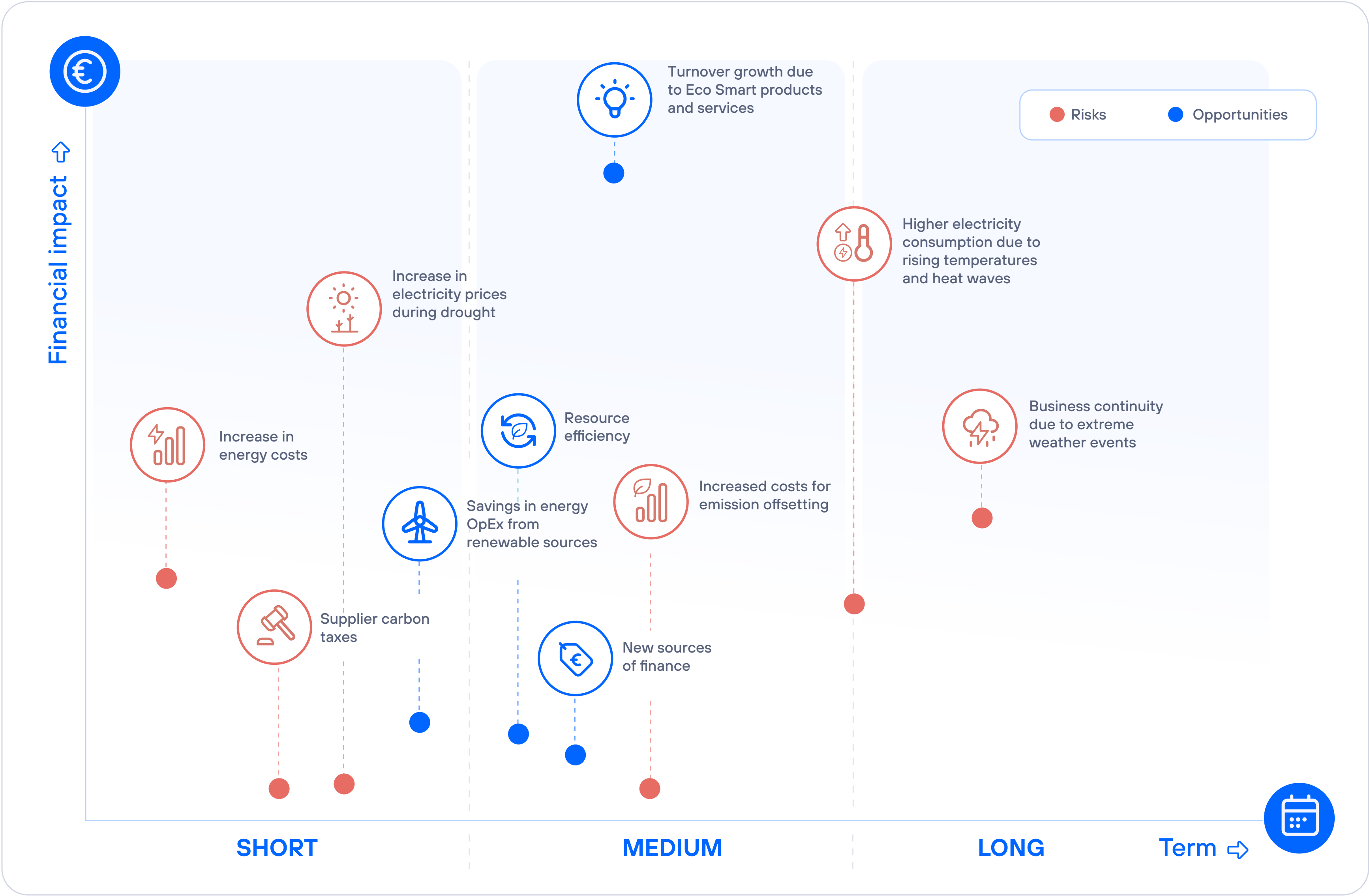
Opportunities

Category	Nature	Opportunity description	Financial impact	Management of the opportunity
Opportunities	 Resource efficiency	Cost optimisation in networks and operations through better energy management.	 Reduction of operating costs.	The Energy Efficiency Plan provides a significant competitive edge and, thus far, has managed to decouple business growth from energy consumption. Since 2015, the organisation's energy consumption has decreased, despite the exponential growth in traffic on its networks. OPERATIONAL MODEL 
Opportunities	 Products and services	Connectivity and digitalisation solutions are fundamental for decarbonising other sectors of the economy and allowing Telefónica to access new business opportunities.	 Increased revenues as a result of higher demand for connectivity and for products and services that contribute to the decarbonisation of the economy.	Digital services based on broadband connectivity, IoT, cloud and big data have the potential to optimise customers' resource consumption and thus reduce their impact on the environment. The Telefónica Tech business unit drives the growth of digital services that help Telefónica's B2B customers move towards a more digital and sustainable world. COMMERCIAL MODEL 
Opportunities	 Energy sources	Reduced exposure to energy price volatility and savings in energy OpEx, due to the use of renewable energies as opposed to conventional energy.	 Reduction of operating costs.	The Renewable Energy Plan includes all types of solutions (self-generation, purchase of renewable energy with guarantees of origin, distributed generation and long-term PPAs) which have led to considerable savings in the cost of electricity for Telefónica. OPERATIONAL MODEL 
Opportunities	 Market	Access to new sources of finance: • Capital markets and bank financing. • Diversification of the instruments used (bonds, hybrids, loans) with criteria linked to sustainability.	 Broadening the investor base and typology.  Potential improvement of financing conditions.	Telefónica uses green bonds and hybrid green and sustainable instruments to finance projects with a positive environmental impact, as defined in its sustainable financing framework. For example, projects to transform and modernise telecommunications networks, both fixed and mobile, with the aim of improving their energy efficiency. ECONOMIC MODEL 

Risks and opportunities

Climate-related risks and opportunities management

Financial impact of climate-related risks and opportunities





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Risks and opportunities

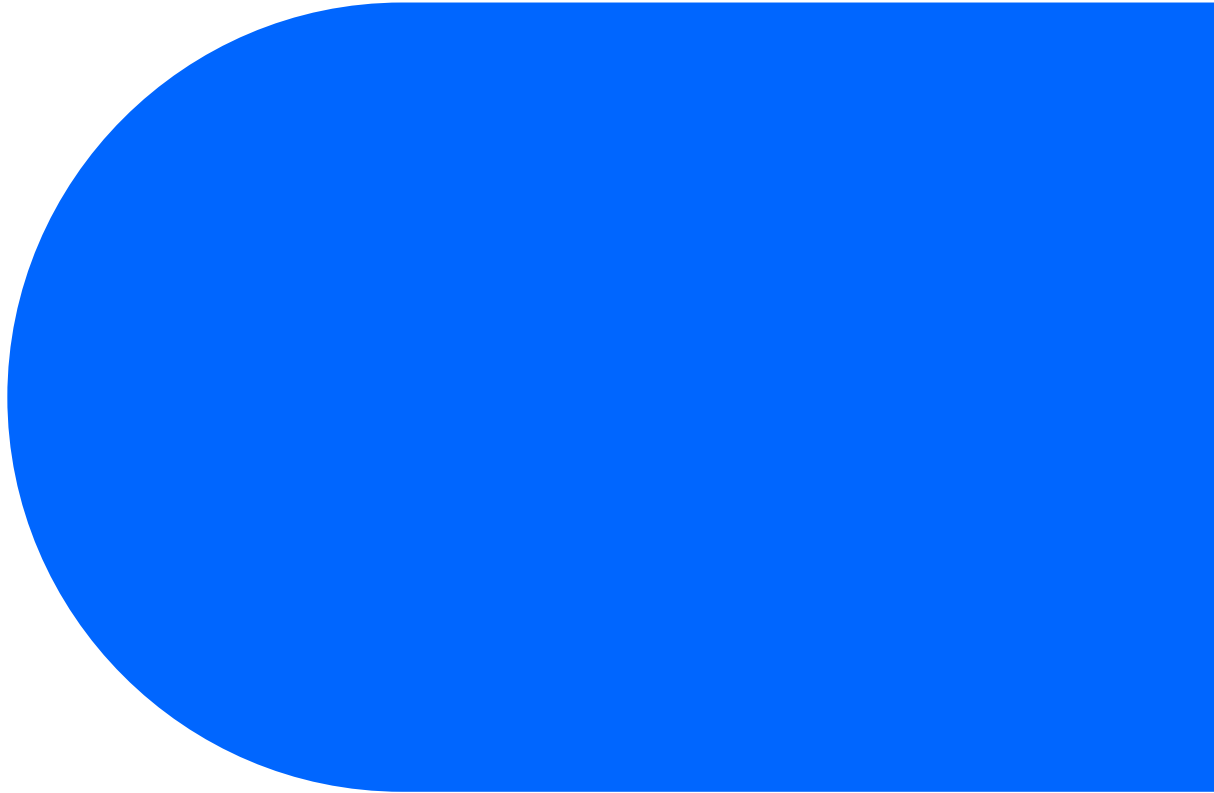
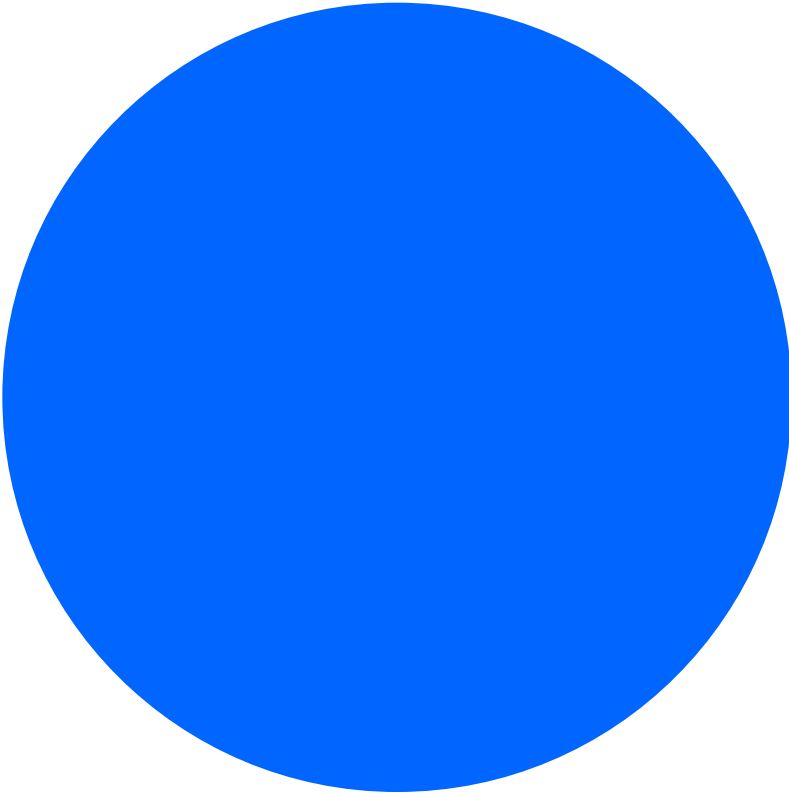
The road to net zero

Models of the plan

Our Plan, at a glance

The road to net zero

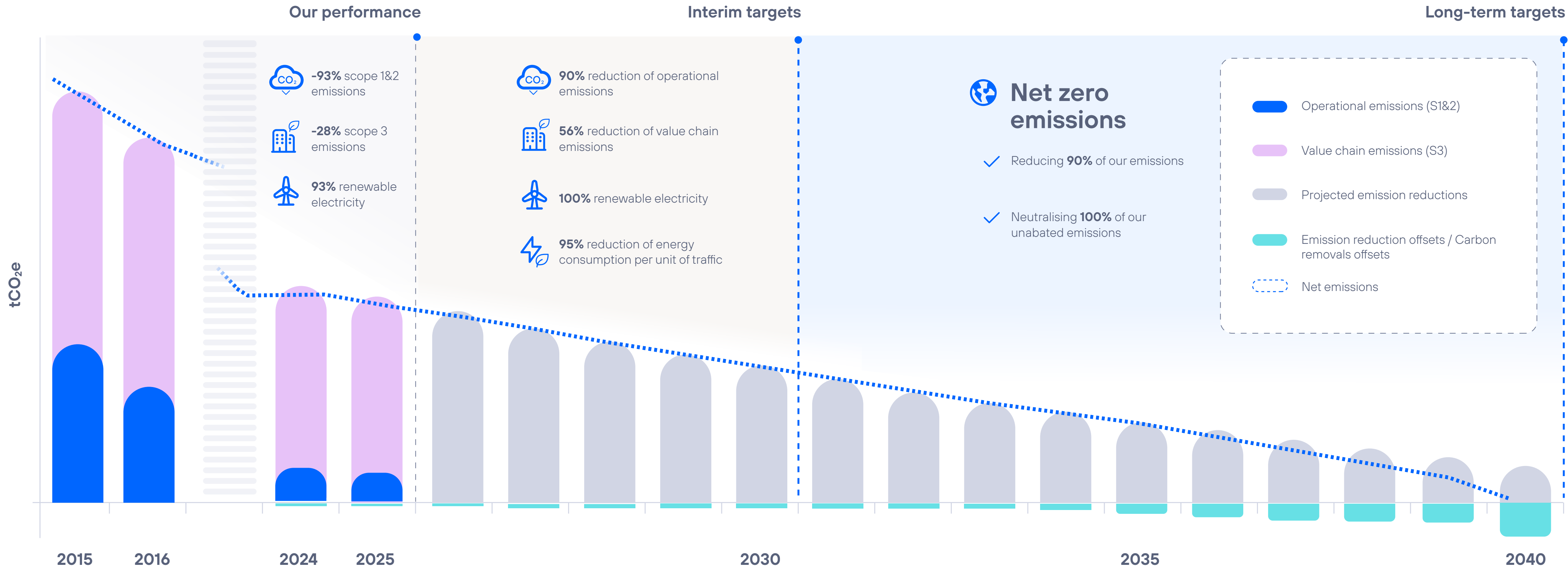
· Offsetting and neutralising residual emissions >



The road to net zero

Telefónica aims to achieve net zero emissions by 2040. Telefónica Brazil, one of the Company’s leading operators, has brought this deadline forward to 2035. Since 2015, the Group implements specific actions to reduce emissions, which has led to a significant decrease in these¹⁸.

The **Telefónica Group’s road to net zero emissions** is shown below, with reviewed historical GHG emissions and projection data, considering the divestment of companies up to the publication date of this report



¹⁸ For more information about performance, please refer to the section entitled "Monitoring of targets" in the "Metrics and targets" chapter of this Plan.

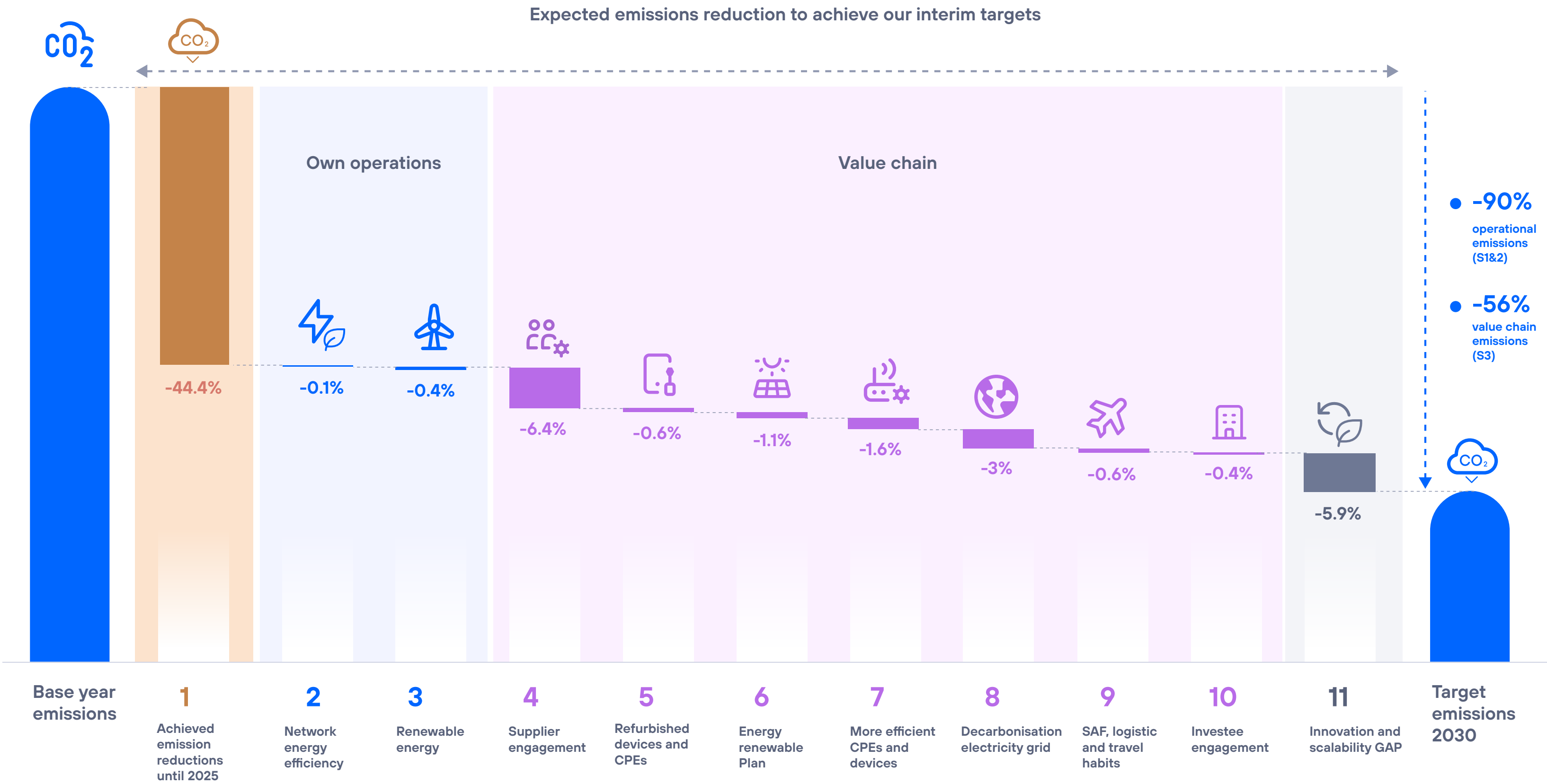
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In accordance with regulatory requirements and the recommendations of leading international standards, which call for a comprehensive GHG emissions inventory to be calculated on a regular basis and, in any case, whenever there are significant changes in the Group’s organisational structure, Telefónica carried out a **comprehensive screening of its scope 3 emissions** in 2025. The results of this screening, together with changes in the Telefónica Group’s scope of consolidation to date, have provided the basis for updating the emissions projection up to 2040 and defining the key decarbonisation levers. Mergers,

acquisitions or divestments by the Telefónica Group throughout 2026, as well as expected changes to the SBTi and GHG Protocol methodologies, will be two key factors when reviewing the emissions reduction targets in 2027.

The Company continues to work in order to meet its emission reduction targets, offset unabated emissions on a complementary basis and move from offsetting to neutralisation to have a **net impact on the climate**.

To this end, it has defined a set of **decarbonisation levers** that are classified according to their impact on operational emissions (scopes 1 and 2) and on the value chain emissions (scope 3). The key actions taken and planned¹⁹, as well as their estimated contribution to the total expected emission reductions for the period 2026–2030, are presented below.



1	Achieved emissions reductions since the base year until 2025.
2	Network transformation (shutdown of legacy networks, compacting equipment and replacing the copper network with fibre optics), making it more efficient. Fuel consumption savings in operations and own vehicle fleet and lower fugitive emissions of fluorinated gases thanks to preventive maintenance, leakage control and replacement of refrigerant gases.
3	Increased consumption of renewable energy as opposed to fossil-based sources, through PPAs, guarantee of origin and self-generation.
4	Engagement with suppliers to help them in their decarbonisation process.
5	Lower emissions in the equipment manufacturing phase, due to purchase of refurbished devices and customer premise equipment.
6	Increased use of electricity from renewable sources with lower emissions associated with extracting the fuels needed to generate power.
7	Lower emissions in the use phase of our customers’ household connectivity equipment and mobile devices, due to the equipment being more energy efficient.
8	Lower emissions in the use phase of our customers’ household connectivity equipment and mobile devices, due to the decarbonisation of the national electricity grid.
9	Reduction in emissions from business travel, employee commuting and upstream transportation, due to the use of SAF in air travel, the progressive electrification of land transport, remote working and changes in travel habits.
10	Engagement with investees to help them in their decarbonisation process.
11	Additional measures to define and implement in order to meet the 2030 reduction target.

19 For more detailed information about key actions, please refer to the chapters “Operational model” and “Value chain model” of this Plan.



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Offsetting and neutralising residual emissions



Telefónica will neutralise its residual emissions by purchasing carbon credits, after having met its target of reducing emissions by 90%.



According to the Net-Zero standard, achieving net-zero emissions is a balance between the emissions a company produces and those it removes or eliminates from the atmosphere. The commitment to **achieve net zero** according to SBTi includes **two pillars**:



> **Reduce GHG emissions** in line with the 1.5°C scenario.



> **Neutralise residual emissions** by permanently removing or capturing an equivalent amount of CO₂.

The Telefónica Group aims to achieve **net zero emissions by 2040**, whilst Telefónica Brazil, particularly, has brought the target forward to 2035.

Therefore, **as of 2040** globally (2035 for Telefónica Brazil), Telefónica will **neutralise its unabated emissions** through the purchase of carbon credits from GHG removal projects after having achieved a 90% reduction in its total emissions.

The Company has also defined an interim target for offsetting emissions, for its operations in Spain, Germany and Brazil. As of 2025, these companies support activities that mitigate climate change in an amount that is equivalent to their scope 1 and 2 emissions. **From 2025** and before the year set for meeting the net zero target, Telefónica will invest in **projects beyond its value chain to help mitigate climate change (BVCM** or Beyond Value Chain Mitigation), considering both projects that generate GHG reduction credits and GHG emission removal credits.

The Integrity Council for the Voluntary Carbon Market (ICVCM²⁰) states that high-integrity carbon credits can unlock the required financing to ensure a transition to a low carbon economy and that we need all available tools for the global average temperature to rise no more than 1.5°C above pre-industrial levels.

Telefónica is also inspired by the “Oxford Offset Principles”²¹ to define its emission offsetting strategy, so it focuses on prioritising reducing its emissions and using high-quality credits to exclusively neutralise residual emissions. The Company will also periodically review the offsetting strategy as best practices evolve, to develop the portfolio from emission reduction credits to carbon removal credits and to progressively promote long-term storage methodologies.

To design the portfolio before 2040, in line with the four principles promoted by the SBTi²², Telefónica is committed to activities that provide the maximum mitigation impact in the short term, help avoid climate tipping points, have co-benefits for biodiversity and are located in regions with relatively low per capita emissions but with greater vulnerability to the effects of climate change. In this regard, it believes that, in addition to carbon removal credits from carbon sequestration projects, it should continue to use carbon credits from projects that reduce emissions from deforestation and degradation, which also contribute to slowing the deforestation in certain regions where the Company has operations.

It also follows the recommendations of the Draft Consensus Statement on High Quality Tropical Forest Carbon Credits²³.

²⁰ In 2023, the ICVCM published 10 Core Carbon Principles that set out the key principles of high-integrity carbon credits. More information at: <https://icvcm.org/core-carbon-principles/>

²¹ <https://www.smithschool.ox.ac.uk/sites/default/files/2024-02/Oxford-Principles-for-Net-Zero-Aligned-Carbon-Offsetting-revised-2024.pdf>

²² More information in the report “Above and Beyond: an SBTi report on the design and implementation of beyond value chain mitigation (BVCM)”, available at: <https://files.sciencebasedtargets.org/production/files/Above-and-Beyond-Report-on-BVCM.pdf>

²³ Draft version available at: <https://www.edf.org/sites/default/files/2023-08/TFCL-Guide-2023-English.pdf>



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Both the projects generating emission reduction credits and the projects which remove GHG emissions from the atmosphere must meet the following quality criteria set internally by Telefónica:



> **Nature-based projects preferably**, such as reforestation, afforestation or ecosystem restoration projects (forests, wetlands, grasslands, oceans) with native species, projects that support the conservation of existing carbon reserves in forests and sustainable forest management, or projects that promote an increase in soil carbon on agricultural land.



> Demonstration of **additionality**²⁴.



> Demonstration of **long-term impact**²⁵.



> **Projects with environmental and social co-benefits**, that contribute as far as possible to the achievement of the Sustainable Development Goals (SDGs)²⁶ and that respect the rights of local communities and indigenous peoples.



> **Projects certified** with national or internationally²⁷ recognised accreditation schemes and verified by an independent accredited third party. These programmes must have a registry to uniquely identify, record and track the carbon credits issued.



> Preferably located **in regions where Telefónica operates**. In the case of REDD+ projects, they should also be located in **countries with a high rate of deforestation**²⁸, as, in these cases, the projects provide near-term incentives to maintain remaining intact forests and support indigenous peoples and local communities.

The open letter, Global South Voices in Support of REDD+, signed by organisations working to support indigenous peoples²⁹, makes clear that in order to halt deforestation and keep global warming to 1.5°C, climate finance should be channelled to indigenous-led conservation efforts, and that REDD+ projects are one of the few proven ways for indigenous peoples to access needed financial resources. Funding these projects contributes to mitigating climate change, prevents biodiversity loss, but also boosts the sustainable development of more disadvantaged communities and supports their economic diversification, which are key to a just transition.

It is vital to work together to strengthen oversight and transparency mechanisms to achieve the desired impact of carbon credit projects, because without a reliable voluntary carbon market, the climate goals of the Paris Agreement won't be achieved. In this regard, the Company participates in the Early Adopters Program of the Voluntary Carbon Markets Integrity Initiative (VCMI), a leading entity for strengthening the integrity of the voluntary carbon market on a global scale.

24 GHG emission reductions or removals are additional if they would not have occurred in the absence of the incentive created by the revenue from the carbon credits generated by the project.

25 If there is a risk of non-permanence, ICVCM recommends adopting measures to address this risk and offset carbon reversals.

26 The Sustainable Development Goals (SDGs), defined in the United Nations 2030 Agenda, are the strategic framework that guides Telefónica's commitments to society and environmental protection, as well as its contribution to socioeconomic development.

27 It is important that these projects follow robust methodology validated by international accreditation programmes with effective governance to ensure transparency, accountability, continuous improvement and the overall quality of the carbon credits. Some of these accreditation programmes could be Gold Standard, Verified Carbon Standard (VCS), American Carbon Registry (ACR) and the Climate Action Reserve (CAR). National schemes, mainly from European countries, could include the Spanish Climate Change Office registry as well as the Peatland Code or the Woodland Carbon Code (WCC), the latter of which are both from the UK.

28 As in the case of Brazil, according to Global Forest Watch and the World Resources Institute <https://gfr.wri.org/latest-analysis-deforestation-trends>

29 More information at <https://www.peoplesforestspartnership.org/post/open-letter-global-south-voices-in-support-of-redd>



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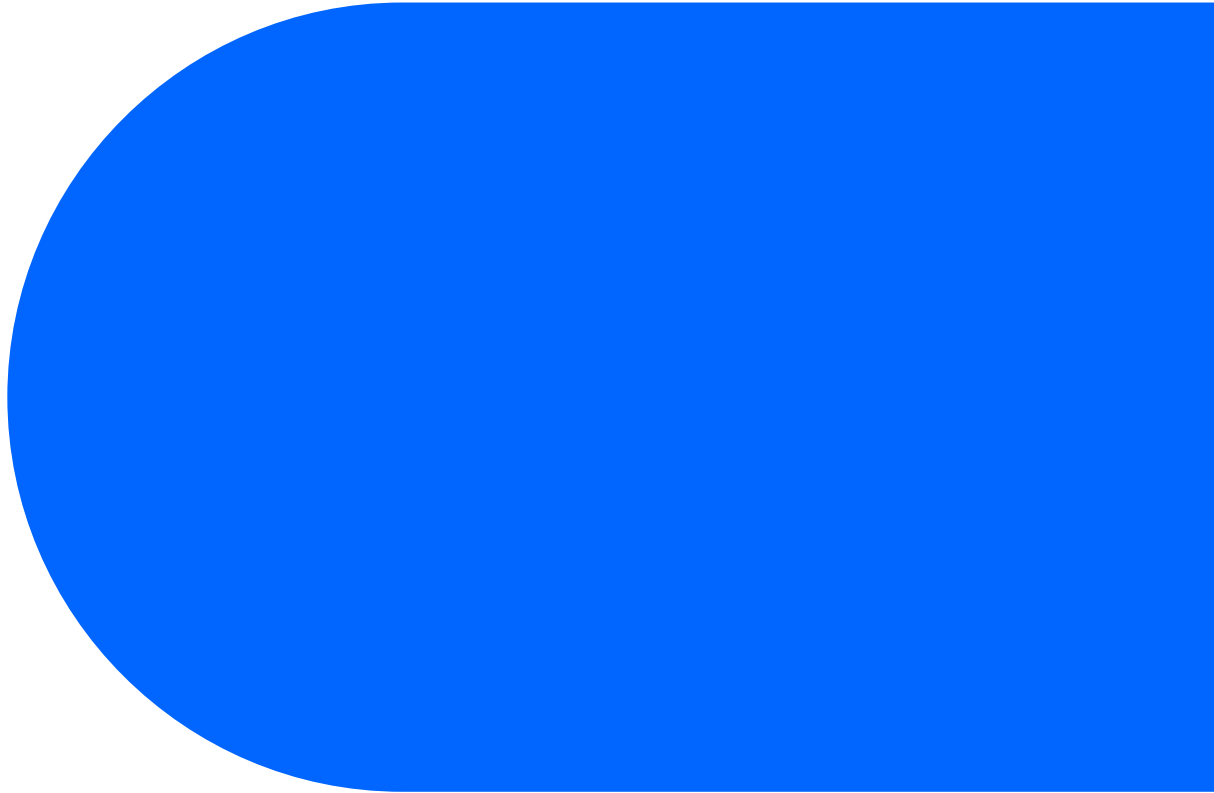
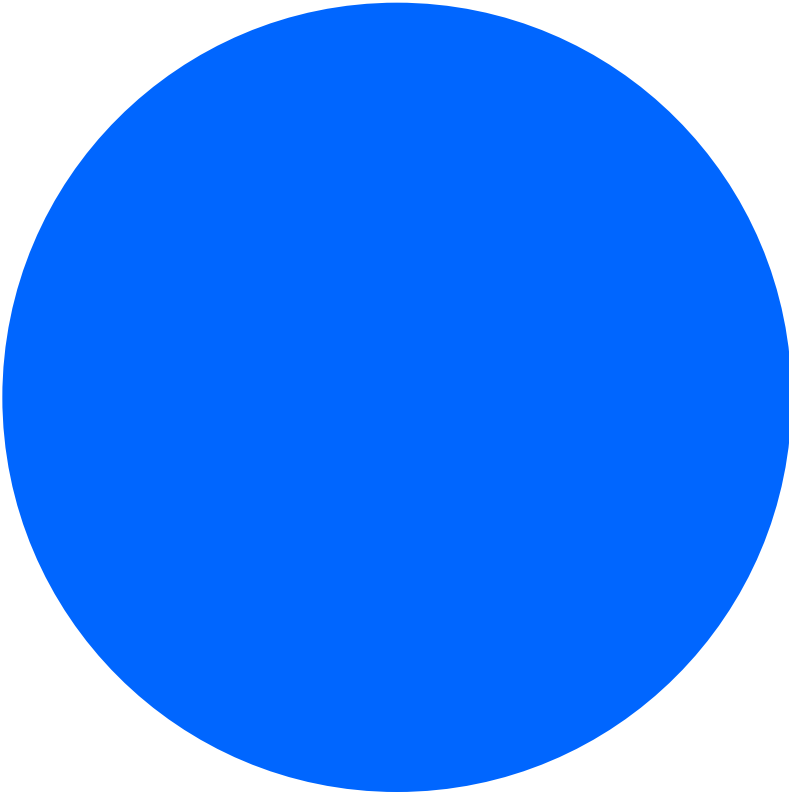
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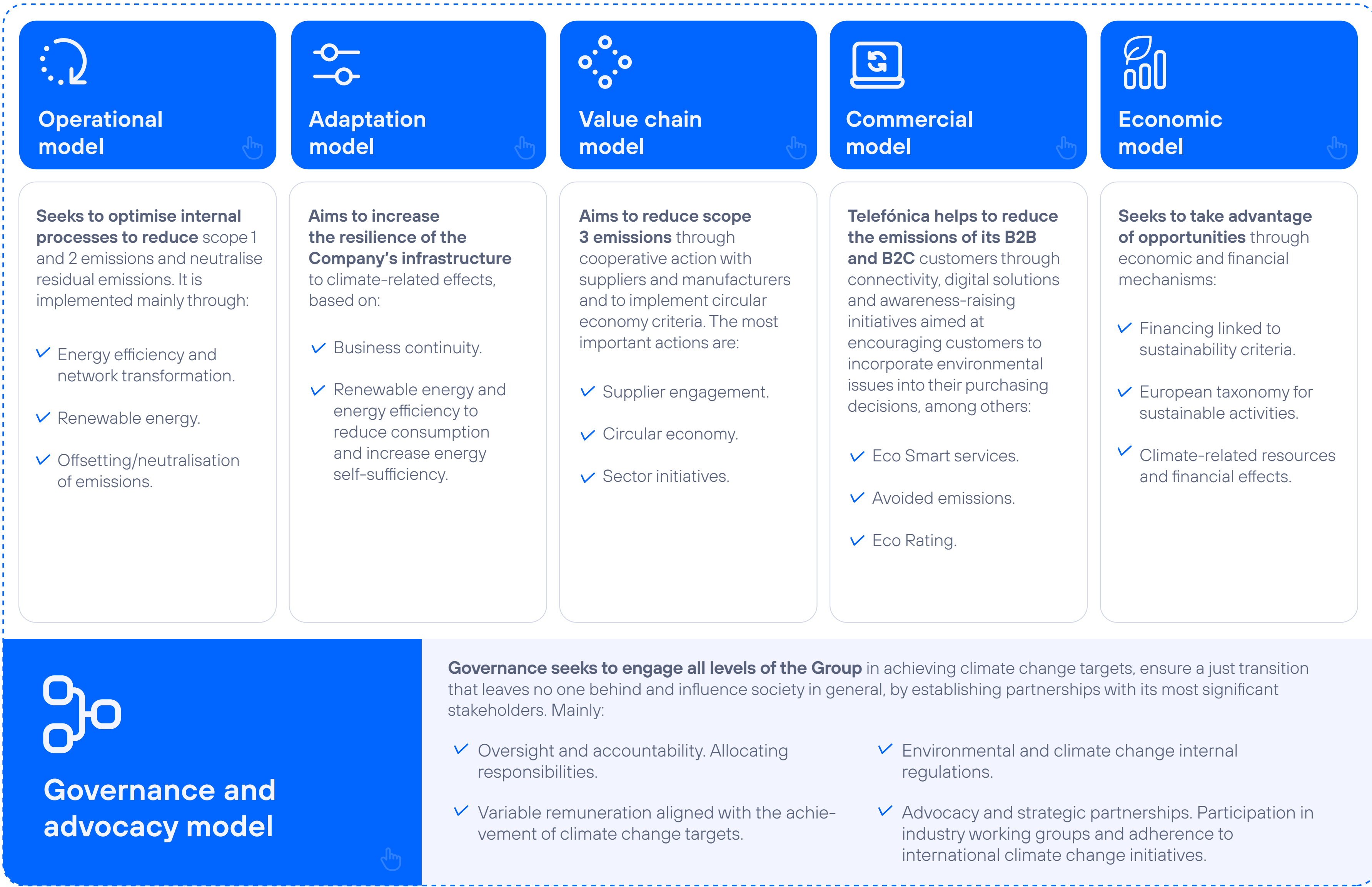
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Plan's structure

The Climate Action Plan contains **six models** that address the organisation's main aspects and guide it towards the net zero target. But they also aim to transform it into a company that is more resilient to the effects of climate change and more efficient when using resources, in addition to growing and harnessing the opportunities offered by a decarbonised economy, together with its customers and investors.



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Operational model



Telefónica’s energy consumption per unit of traffic has improved by 92% compared to 2015, which has led to savings of more than €493 million thanks to energy efficiency and energy management projects.

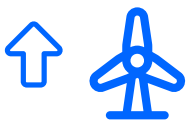
Our ambition



Reduce energy consumption per unit of traffic (MWh/PB) **by 95%** in **2030**, compared to 2015.



100% renewable electricity in own facilities by **2030**, in all Group operations.



50% of renewable energy from PPAs and self-generation by **2030**.



Offset 100% of scope 1 and 2 emissions of main markets, from **2025** onwards.

The telecommunications sector plays a significant role in tackling climate change, by enabling the transformation of the economy and boosting the optimisation of resources through innovation and digitalisation. However, the sector’s main input is energy consumption for network operation and for data usage and processing, and this must be taken into account

The transition to a decarbonised economic model requires companies to focus on improving **operational efficiency**, using key levers for change, such as responsible use of resources, renewable energy and production efficiency. A strategic vision of decarbonisation in the operational model decouples business growth from GHG emissions and leads to improved financial performance, positioning and competitiveness of the Company.

One of Telefónica’s priorities within its climate change strategy is to **reduce its operational emissions**, decoupling GHG emissions from business growth. Keeping electricity consumption stable despite the increase in the digitalisation of society and data traffic on networks is one of Telefónica’s greatest challenges. The Company has been addressing this successfully thanks to its Energy Efficiency and Renewable Energy Plans, which include numerous actions, ranging from self-generation to the renovation of power plants and air-conditioning equipment.

In fact, due to the implementation of energy efficiency projects, Telefónica has reduced energy consumption by 6% compared to 2015, even though the traffic managed by its networks has increased 11-fold.

The renewable energy plan, which aims to reach 100% by 2030 through the signing of long-term power purchase agreements (PPAs) and the progressive increase in self-generation, is another major decarbonisation lever in Telefónica’s roadmap. This will allow us to gradually reduce the purchase of renewable certificates of origin, in turn generating significant

savings in electricity operating costs (OpEx). At present, 93% of the electricity is renewable.

As part of the Autonomous Network Journey programme, which defines the roadmap for building the network of the future, Telefónica launched the Sustainable Platform Design project in 2022. This initiative prioritises deploying more efficient technologies and phasing out legacy infrastructure, while promoting the replacement of operational equipment with alternatives with a lower environmental impact, and developing innovative solutions to meet corporate objectives. Together, these measures support the design of a network that is sustainable by definition: energy-efficient, low-carbon and aligned with circular economy principles. This will enable the Company to accommodate the expected growth in traffic over the coming years without increasing associated GHG emissions.



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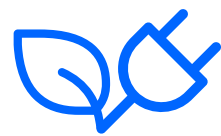
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Key actions

Below is a description of the **key actions** which, within the framework of the operational model, contribute to the achievement of the Group's climate objectives:



Network energy efficiency



Renewable energy



Combustion in stationary sources



Combustion in the vehicle fleet



Refrigerant gases



Ongoing emissions responsibility

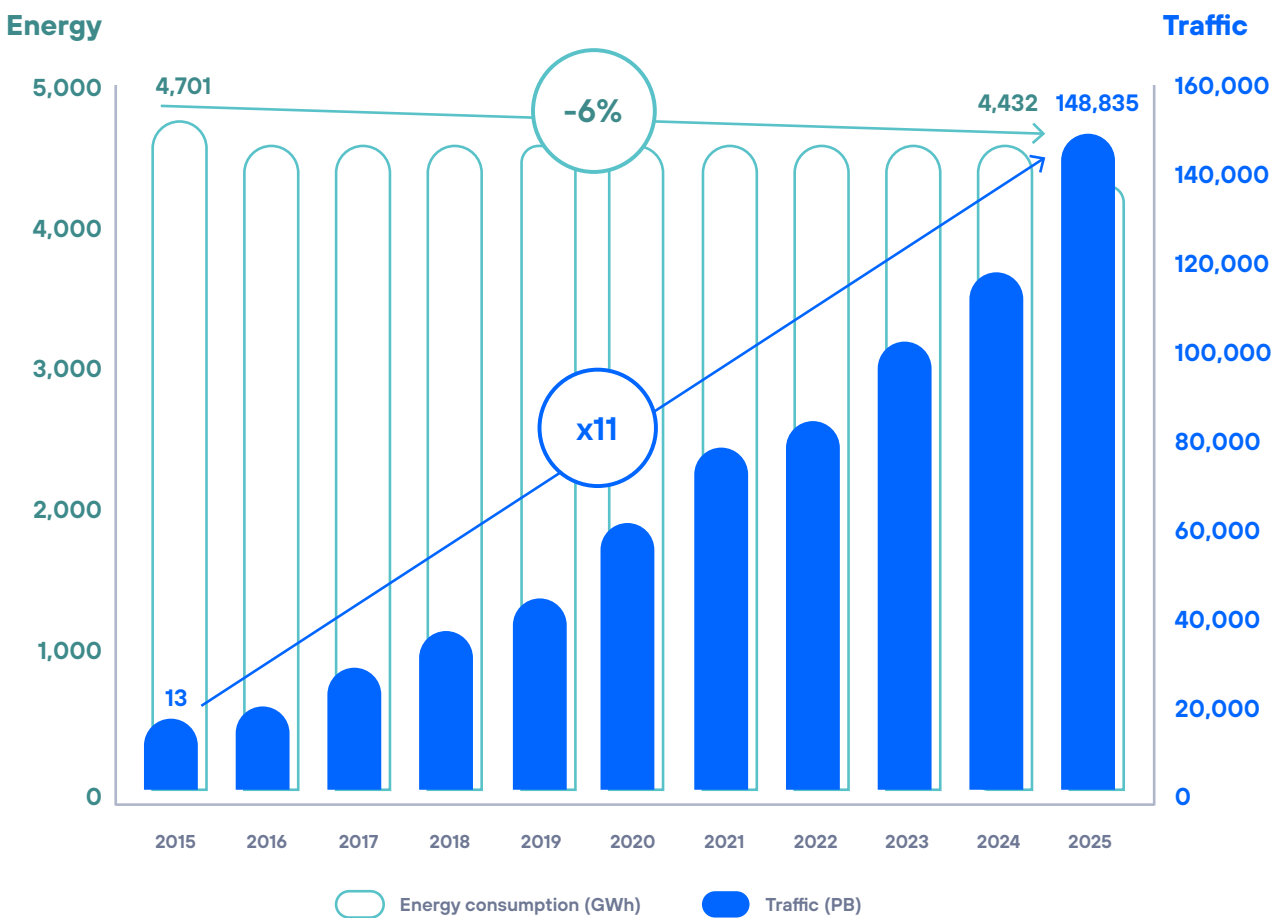
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The implementation of energy efficiency projects has led to a 6% reduction in energy consumption compared to 2015, despite an elevenfold increase in network traffic, whilst also generating operational savings for the Company.



Network energy efficiency

The following actions, which are included in the energy efficiency plan, reduce electricity consumption:

> **Network transformation:** projects related to the shutdown of legacy networks, such as 2G and 3G, equipment compaction, network reconfiguration and replacement of the copper network with fibre optics, which is 85% more efficient in terms of customer access. These new technologies are more energy-efficient, as shown by several studies conducted by the Company. For example, 5G can be up to 90% more efficient than 4G in terms of energy consumption per unit of traffic³⁰, while virtualised environments use up to 27% less energy than legacy environments. XGS-PON technology is also 70% more efficient than GPON in terms of energy consumption per Gbps, in the most common plant configurations. This is because the increase in capacity delivered by these technological upgrades is much greater than the associated increase in energy consumption. As part of its copper phase-out plan, **Telefónica Spain** has completed the decommissioning of its 8,532 switch sites, **leading the way in Europe in the phasing out of the retail copper network**, and in the transition towards more efficient networks.

> **Modernisation of outdated equipment:** replacement with more efficient equipment, incorporating technological innovations in both electrical infrastructure (rectifiers/power plants/external cabinets, UPS) and air-conditioning infrastructure (chillers and air treatment units).

> **Compacting and consolidation:** the increase in the level of occupancy of technical spaces (IT rooms), reaching levels close to 80%, will allow Telefónica to achieve the optimum performance of its facilities in terms of efficiency. In addition, the Company will carry out a study of its existing infrastructure elements in order to categorise sites according to their reliability and efficiency. This will allow to carry out consolidation projects and move loads from less efficient buildings to more efficient buildings. Telefónica Germany has launched a project to consolidate data centres and core exchange sites, under which almost 40% of sites will be either consolidated

or decommissioned. The initiative will strengthen the network and enable multiple services to be delivered from each site, while improving operational efficiency and reducing electricity consumption.

> **Power Saving Features (PSFs):** the implementation of energy consumption optimisation systems at off-peak times demonstrates a reduction in energy consumption of up to 30% during these times, without compromising network quality. In 2025, a total of 16 new PSF features were launched in the 4G and 5G networks of the main markets (Spain, Brazil and Germany).

> **Artificial intelligence and machine learning tools:** Telefónica is increasingly applying artificial intelligence and machine learning tools to optimise energy consumption across its networks. In the Radio Access Network (RAN), predictive platforms are used to forecast traffic patterns and dynamically switch off cells during periods of lower demand, without affecting service quality. Telefónica Brazil has developed an AI-based Energy Monitoring Centre that monitors more than 35,000 electricity consumption points across the country, helping to optimise performance, availability and efficiency. In Germany, an IoT-based solution is being deployed in data centres and switch centres, integrating AI-powered analytics, 3D visualisation and real-time digital twin capabilities. Its predictive functionality supports more accurate climate control, improves PUE³¹ and helps avoid premature capacity expansion.

> **Other energy efficiency actions:** replacement of fluorescent lighting with LED technology, power factor correction, installation of presence sensors and smart meters, among others.

The implementation of these energy efficiency measures has enabled Telefónica to reduce energy consumption per unit of traffic by 92% in 2025 compared with 2015. These measures also contributed to an improvement in PUE. In 2025, the PUE of the data centres hosting Telefónica's equipment stood at 1.64, around 2% lower than in the previous year.

³⁰ For more detail, please see <https://www.nokia.com/newsroom/nokia-confirms-5g-as-90-percent-more-energy-efficient/> and <https://www.ericsson.com/en/blog/2021/10/5g-energy-consumption-impact-5g-nr>

³¹ Power Usage Effectiveness or PUE. This is a standard efficiency indicator for data centres.

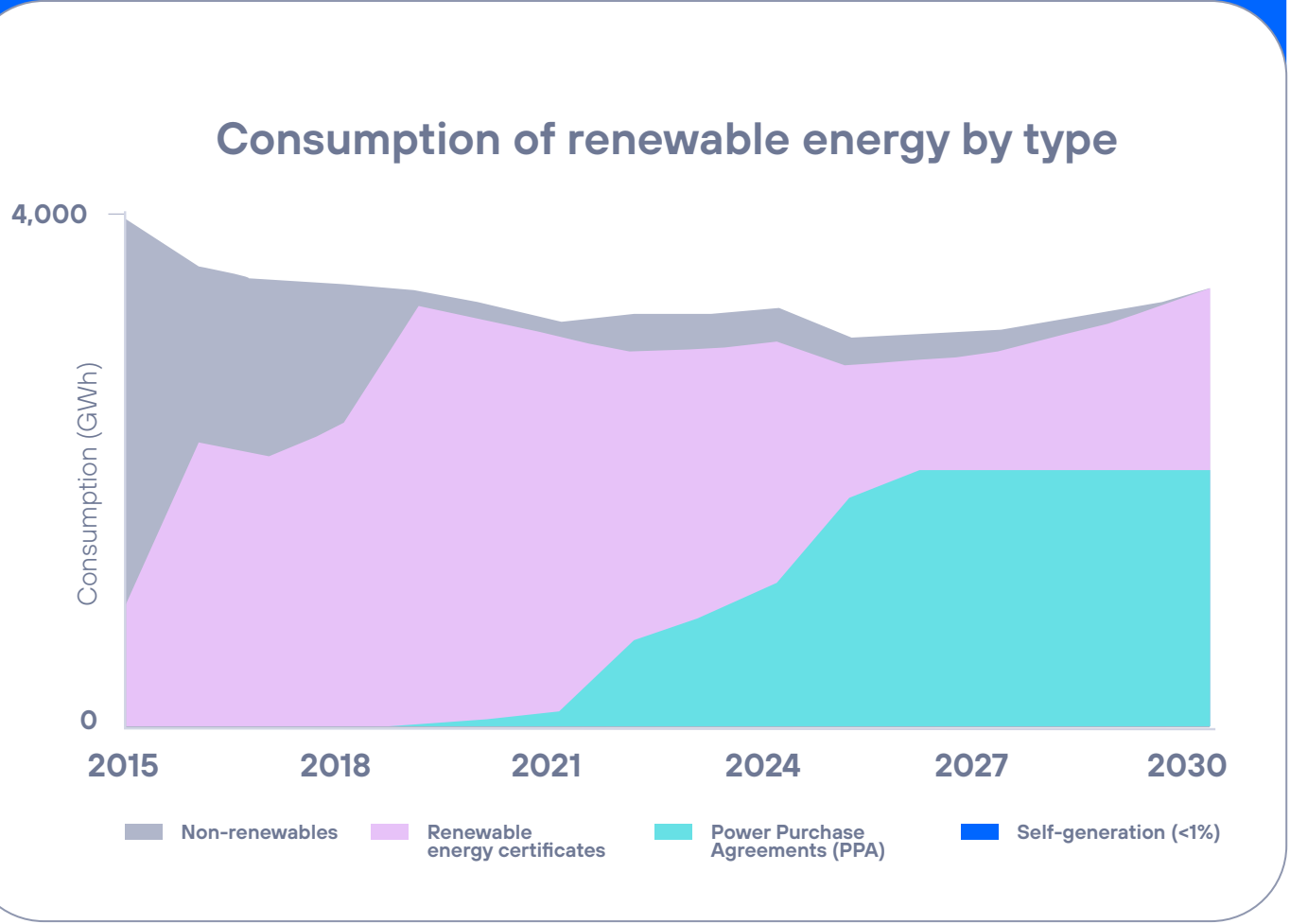
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We want to go beyond 100% renewable, boosting the renewable energy mix through self-generation and new PPAs, which will reduce our exposure to energy price volatility and strengthen resilience of our business.



Renewable energy

The following actions, defined in the renewable energy plan, aim at increasing the percentage of renewable energies as opposed to fossil-based energy:

> **Power Purchase Agreements (PPAs):** long-term renewable electricity supply agreements not only guarantee emission-free electricity, but also offer opportunities for OpEx savings. Telefónica has several contracts of this type. For example, in Spain, the four PPAs signed for the period 2022-2031 have already come into operation. Together with the one signed in 2020, they represent 582 GWh/year, cover 50% of the consumption of the operator's technical buildings and avoid around 87,300 tonnes of CO₂ per year. Telefónica Germany has also signed two PPA agreements, for the period 2025-2040, equivalent to 550 GWh per year which will cover 84% of the operation's own electricity consumption

On the other hand, Telefónica Brazil has several Distributed Generation (DG) agreements that will supply more than 700 GWh/year and will cover almost half of the electricity consumption of its networks in the country, also reducing dependence on renewable energy certificates (iRECs). Distributed generation produces renewable electricity in many small generation plants, rather than concentrating it in large facilities. This has additional benefits beyond energy generation, as it minimises environmental impacts, improves access to small generators and promotes employment throughout the territory, often in disadvantaged rural environments. This helps to ensure that the progressive shift from the current economic model to a low-carbon model is socially just, leaving no one behind. Also in Brazil, there is self-production of energy at the Janaúba solar facility, in the state of Minas Gerais, which has a generation capacity of 501 GWh per year.

> **Guarantees of origin:** the programme for purchasing renewable electricity with a guarantee of origin enables the Company to source renewable electricity for consumption points that, due to technical, commercial, economic or regulatory constraints, cannot yet be covered through other renewable energy procurement mechanisms. As a result, 100% of electricity consumption is covered in countries such as Spain, Germany and Brazil.

> **Self-generation:** the implementation of photovoltaic generation systems at off-grid base stations, technical buildings and offices currently produces around 5,100 MWh per year, which translates into over 700 tonnes of avoided CO₂ emissions, a figure that is expected to increase progressively, particularly in countries such as Spain. In recent years, Telefónica Germany has promoted on-grid self-generation, by deploying 50 solar power systems at radio base stations. This has tripled the number of its operational sites powered by photovoltaic energy.



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Combustion in stationary sources

The following measures contribute to reduce fuel consumption in the operations of the Company:

> Installation of hybrid self-generation systems: hybrid renewable self-generation systems help avoid the use of fossil fuel-powered generators at off-grid base stations. The Telefónica Group has 209 mobile network base stations powered by renewable energy, mainly solar and wind. Telefónica Germany has two off-grid mobile sites equipped with methanol fuel cells and solar panels, eliminating the need for conventional generators. In addition, a pilot project will be launched in Spain to test the system's performance under different environmental conditions, so that its reliability, efficiency and additional operational requirements can be validated.

> Replacement of heating fuels: replacing diesel with natural gas or propane in boilers reduces the emissions associated with heating the premises, as they generate fewer emissions for the same amount of heat produced.

> Replacement of fuels for generators: the substitution of fuels such as diesel by other less polluting fuels such as hydrogen or methanol reduces the emissions from the generation of electricity using generator sets. The sector has already commercially developed renewable diesel, a fuel made from vegetable waste, waste from the meat industry and even urban waste and which is chemically identical to fossil diesel. This can reduce emissions by 90% and can be used both for transport and for electricity generators. Telefónica has assessed the feasibility of using green diesel or HVO use in emergency generators, which ensure service continuity, and the first pilot project is currently underway in Spain. The Company has also tested the use of eco-friendly additives in fossil fuels, which, when mixed, improve fuel efficiency. This initiative delivers three main benefits: it reduces fuel consumption, lowers CO₂ emissions per litre of fuel consumed, and decreases equipment operating temperatures, helping to extend its service life.

> Reduction of fuel consumption: the extension of battery autonomy, the implementation of BaaS (Battery as a Service) solutions, demand-driven capacity adjustment and the replacement of generator sets reduce diesel consumption and maintenance costs. For instance, in Brazil lithium batteries were implemented to reduce the use of diesel generators at the Suruacá site, located in a nature reserve where it is not possible to connect to the power grid. This project achieved a 55% reduction in fuel consumption and the associated emissions.

> Installation of lithium batteries: the implementation of emergency generator start-up delay logics at sites with frequent power outages using high cycling (lithium) batteries reduces generator operation and saves fuel. In areas with frequent short-duration power outages, delaying generator start-up and using lithium batteries have reduced backup fuel consumption by up to 90%.



Combustion in the vehicle fleet

These actions are implemented to reduce fuel consumption in the vehicle fleet:

> Vehicle replacement: the replacement of fossil-fuel vehicles in the fleet with electric vehicles, hybrid vehicles or vehicles which use biofuel such as ethanol reduces scope 1 emissions.

> Reduction of travelling: the migration of the network from copper to fibre optics reduces the technical problems in the network by half, which in turn makes it possible to cut the number of trips by maintenance staff to address these issues.

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Refrigerant gases

Through the following actions, the refrigerant gas recharges are reduced:

> New air-conditioning solutions: measures have been implemented to minimise buildings’ cooling requirements, such as increasing temperature set points and implementing free cooling, which uses outside air to cool technical rooms. The efficiency of other systems has also been assessed, including liquid cooling, which immerses servers in non-conductive, non-toxic and biodegradable liquids. In addition, a proof of concept has been carried out at Acens’ main data centre (Spain) using chillers with magnetic levitation compressors. The results have shown that this technology can improve the efficiency of air-conditioning equipment by up to 35%, as well as reducing emissions from refrigerant leaks, by using refrigerant gases with a Global Warming Potential (GWP) of 1, far below the typical range for conventional refrigerants, which is between 200 and 2,000. In 2025, these magnetic levitation compressors were implemented at a site of Telefónica Spain in the edge computing sector.

> Equipment shutdown: thanks to the network transformation process, central plants are being shut down and technical rooms are being consolidated. This enables air-conditioning equipment to be switched off and dismantled, or to be used for a shorter period of time, thereby reducing the risk of refrigerant gas leakage. Telefónica Spain, thanks to the shutdown of its copper network, has adjusted air-conditioning equipment to match actual load requirements and has decommissioned more than 1,400 units.

> Preventive maintenance and equipment replacement: proper preventive maintenance of air-conditioning equipment and renovation of systems which have reached the end of their useful life and are prone to recurring breakdowns reduces refrigerant gas leakage. Nearly all obsolete infrastructure equipment at Telefónica’s main data centres has been replaced.

> Leakage control: using digitalisation to manage fuel consumption data from operations and refrigerant gas recharging, optimises the control of gas and refrigerant leakage. In Brazil, digitalising the management process has increased the reliability of the data by continuous monitoring, leading to a reduction in refrigerant gas recharges.

> Gas replacement: when purchasing new air-conditioning equipment or replacing refrigerant gases in existing equipment, Telefónica considers their GWP, aiming for it to be as low as possible. One example is the installation of outdoor high-capacity water chillers that use low-GWP refrigerants, such as R32 or R1234ze, the latter with a GWP close to 0.

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Ongoing emissions responsibility

To mitigate the climate impact of scope 1 and 2 emissions in its main markets and help protect biodiversity, Telefónica invests in ecosystem restoration and conservation projects.

Since 2019, Telefónica has financed climate change mitigation actions beyond its value chain by purchasing high-quality carbon credits. In 2025, a total of 48,395 carbon credits were retired, with 100% of the projects used being biogenic sinks. Of the retired carbon credits, 62% came from emission removal projects (ARR), while the remaining projects were emission reduction projects (REDD+). Regarding accreditation programmes, 95% of the retired credits come from projects certified by the Verified Carbon Standard (VCS), while 5% are certified by the Spanish Office for Climate Change registry.

Below is a list of some of the projects supported by Telefónica:

> Since 2020, Telefónica Spain has **Bosque Telefónica³²**, (meaning “Telefónica Forest”) in Palencia (Spain). By planting more than 12,500 native trees, the Company is helping to restore a degraded agricultural area, transforming it for forestry use. This initiative involves rural communities

and boosts the local economy by generating employment for young people and disadvantaged people. Bosque Telefónica is expected to absorb 3,000 tonnes of CO₂ over its lifetime.

> The **Galicia Rexenera: A Pedra Torta (Caldas de Reis)³³** project in Pontevedra (Spain) has restored almost 30 hectares of local communally owned woodland affected by a forest fire. Reforestation and natural regeneration work involving native hardwoods, such as oak, birch, ash and hazel was carried out, as well as improved planting of native pine trees.

> The **“Galicia Rexenera: Castiñeiro da Auga (Salceda de Caselas)³⁴** project, located in Pontevedra (Spain), has restored a fire-damaged area of communal woodland through the regeneration of chestnut, oak and pine stands.

> The **REDD+ Selva de Mataven³⁵** project prevents unplanned deforestation and degradation in an indigenous reservation situated to the east of the Colombian region of the Orinoco highlands, in the transitional belt between the savannas of the Orinoco and the Amazonian forests.

32 The “Bosque Telefónica” absorption project is included in the Spanish Climate Change Office registry. More information can be found at <https://www.miteco.gob.es/content/dam/miteco/es/cambio-climatico/temas/registro-huella/informes/2021-b212.pdf>

33 The project is registered in Section B of the Registry of Carbon Footprint, Offsetting and Carbon Dioxide Absorption Projects of the Spanish Ministry for Ecological Transition and the Demographic Challenge. More information can be found at <https://www.miteco.gob.es/content/dam/miteco/es/cambio-climatico/temas/registro-huella/informes/2021-b097.pdf>

34 For further information on the project, please check Section B of the Registry of Carbon Footprint, Offsetting and Carbon Dioxide Absorption Projects of the Spanish Ministry for Ecological Transition and the Demographic Challenge at: <https://www.miteco.gob.es/content/dam/miteco/es/cambio-climatico/temas/registro-huella/informes/2022-b112.pdf>

35 More information about the Selva de Mataven forestry management project (Colombia) can be found at <https://registry.terra.org/app/projectDetail/VCS/1566>

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> The **CO₂OL Tropical Mix³⁶** initiative aims to carry out the reforestation of more than 13,000 hectares of land which was used in the past for extensive livestock farming activities and convert it into mixed forests by planting 20 different native tree species and protecting over 30 others.

> The project of **restoration of degraded areas and reforestation in Cáceres and Cravo Norte³⁷** in Colombia, proposes to carry out reforestation, with 25 native tree species in areas that were previously degraded by extensive livestock farming in the Cáceres/Antioquia and Cravo Norte/Arauca regions. It also promotes sustainable forest resource management to encourage natural regeneration.

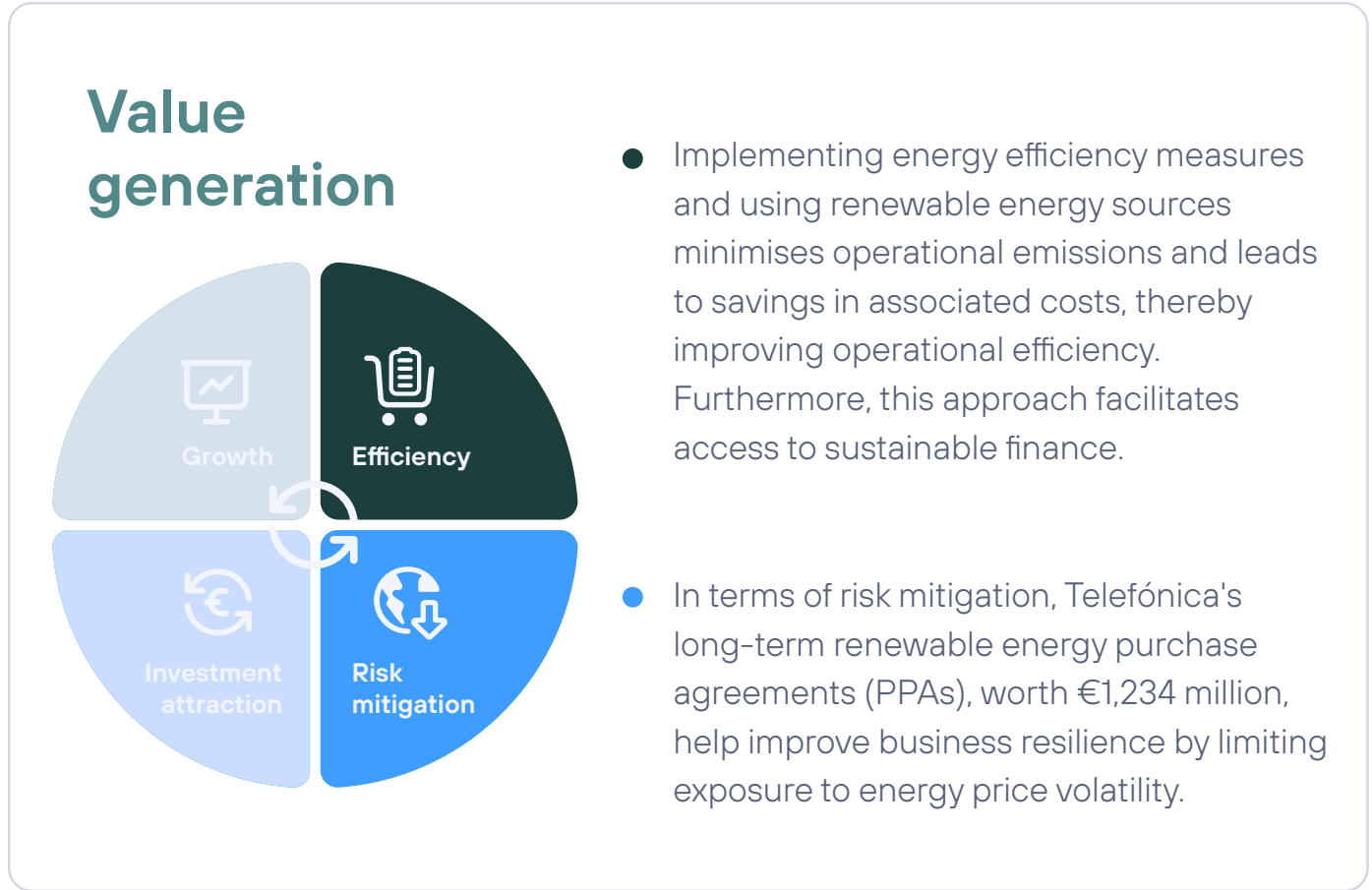
> The **MANOA REDD+³⁸** project prevents the deforestation of more than 72,000 hectares of a forest area in the state of Rondônia (Brazil), which plays a key role in maintaining ecological corridors, mitigating the negative impacts of degradation and providing shelter for several endangered animal species.

> The **Urupianga Grouped REDD Project³⁹** in Mato Grosso (Brazil), aims to prevent unplanned deforestation across more than 13,000 hectares, thereby generating carbon reductions and promoting social and environmental benefits in the region.

> The **Brazilian Amazon APD Grouped Project⁴⁰** promotes forest conservation on private land across the nine Amazonian states, by entering into agreements with landowners who voluntarily forgo their legal logging rights, supported by advanced forest monitoring systems (satellite, drones and LIDAR) and within the framework of the Brazilian Forest Code.

> The **reforestación multiespecies (ONF)⁴¹** located in Mato Grosso (Brazil), involves planting over 2.5 million trees of 50 native species on 2,000 hectares of former pastures. In addition to the positive environmental impact, the project also develops educational activities, generates income for local communities and helps preserve biodiversity by using native species from the Amazon rainforest.

> The **Galicia Rexenera: Rubiós As Neves⁴²** project, located in the municipality of As Neves (Spain), aims to restore degraded areas through the planting of a mixed forest of maritime pine, common oak, birch, chestnut and plum trees.



36 The sustainable production of wood and cocoa is certified by the Forest Stewardship Council (FSC) and UTZ (a sustainable agriculture programme and label). More information about the project is available at: <https://registry.goldstandard.org/projects/details/1796>

37 Details of the "Cáceres y Cravo Norte" project, which has additional CCB certification from VCS, are available at: <https://registry.terra.org/app/proyecto-redd-manoa/projectDetail/VCS/576>

38 For more information on the Manoa project, see: <https://biofilica.com.br/projeto-redd-manoa/>

39 The project is registered with the Verified Carbon Standard, at: <https://registry.terra.org/app/projectDetail/VCS/2551>

40 Information on this conservation project is available at: <https://registry.terra.org/app/projectDetail/VCS/2551>

41 More information on this reforestation project can be found at <https://registry.terra.org/app/projectDetail/VCS/665>

42 Information related to this project can be downloaded from the Registry of Carbon Footprint, Offsetting and Carbon Dioxide Absorption Projects of the Spanish Ministry for Ecological Transition and the Demographic Challenge, at: <https://www.miteco.gob.es/content/dam/miteco/es/cambio-climatico/temas/registro-huella/informes/2022-b139.pdf>



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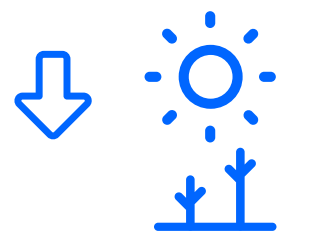
Adaptation model



The adaptation Plan aims to increase resilience and ensure business continuity in the event of climate-related disasters, while reducing the potential economic impact

Our ambition

 Increase the **Company's climate resilience.**

 Reduce the potential economic effects of **extreme weather events and transition risks.**

 **Over 5,000 critical assets** with an individualised climate risk calculation for **2030.**

The **adaptation model** aims to increase the Company's resilience and limit its exposure to climate risks, enabling it to continue providing its services in an adverse climate context.

It includes a **preventive strategy**, aimed at reducing the Company's vulnerability to climate-related risks, and a **response strategy** designed to activate action protocols in the event of extreme events and to restore any resulting damage. Preventive measures focus on strengthening the operational resilience of critical infrastructure, diversifying energy supply sources and enhancing the Company's capacity to respond to extreme weather events.

Key actions

Energy efficiency

It facilitates the adaptation of equipment and infrastructure to increasingly extreme temperatures and improves the resilience of infrastructure to heatwaves, for example. It also helps reducing energy consumption, thereby mitigating climate transition risks associated with rising energy prices.

Renewable energy

Renewable energies and backup batteries offer greater independence and autonomy in the event of supply failures caused, for instance, by a climate disaster. Long-term renewable energy purchase agreements (PPA) reduce

exposure to price volatility, avoid indirect costs from carbon markets and increase resilience during droughts by reducing dependence on hydroelectric sources⁴³.

Business continuity

Telefónica has a global crisis and business continuity system, along with an insurance programme designed to prevent, respond to and mitigate service disruption due to climate events such as floods, fires and landslides. This ensures that, should such events occur, their duration and cost are minimised.

The **Global Business Continuity Regulations** prescribe preventive risk management and ensure maximum resilience of the Company's operations in the event of possible disruptions, including extreme weather events. They stipulate the development of continuity plans to restore essential activities that have been interrupted.

⁴³ For more information on risk and opportunity management, as well as the content of the energy efficiency and renewable energy plans, see the sections "Climate risk/opportunity management" and "Operational model".



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There is a **Local Crisis Committee** for each business unit and a Global Crisis Committee, both of which are activated in the event of high-impact disruptive events. These Committees have specialists for each type of incident, such as natural disasters.

Crisis management is structured into four phases:



The Corporate Risk and Insurance Department has an insurance programme to protect the network’s property and assets. This programme is defined through risk modelling of the Company’s locations, using historical information on extreme weather events and different computer modelling systems (RMS, EQCat, KatRisk, etc.). This process determines the probabilities of possible losses and potential impacts for different scenarios and return periods. Analysing this data is essential for managing risk and setting the limits and retentions of the Telefónica Group’s various insurance programmes.

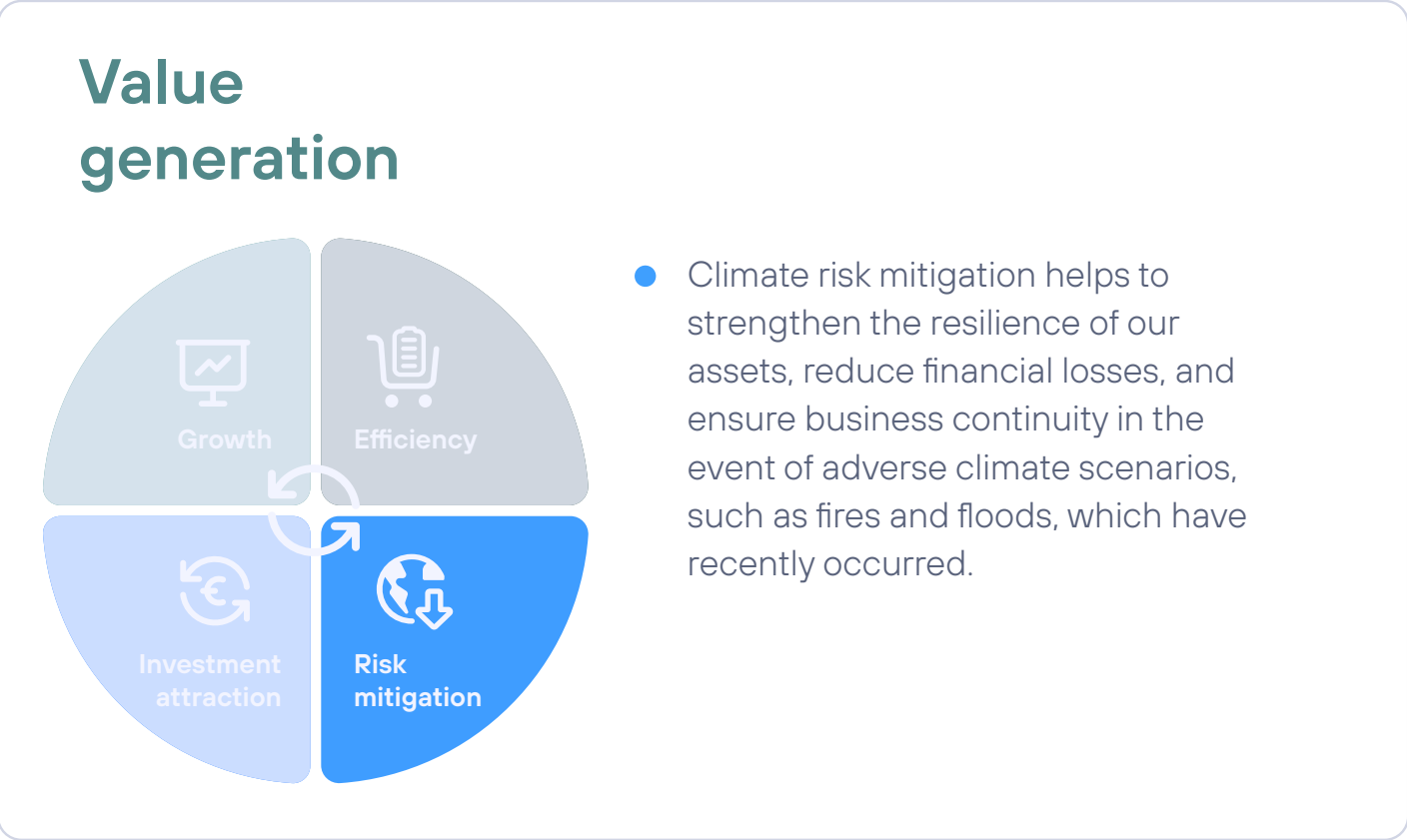
By rapidly activating its business continuity and crisis management protocols, deploying temporary connectivity solutions and mobilising specialised technical teams, the Company was able to gradually restore affected services and limit disruption to people and essential services. This was the case, for example, during the 2024 storm in Valencia, Spain, or the floods in Rio Grande do Sul, Brazil. In 2025, Telefónica also managed several wildfires that affected telecommunications infrastructure and services across different provinces across Spain.

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The experience gained from managing these events has enabled the Company to strengthen its preventive and climate resilience approach, supporting the implementation and continuous improvement of key adaptation measures.



The adaptation measures are detailed below:

Pillar of the Adaptation Plan	Related physical risk	Main measures implemented		
 Energy efficiency	- Temperature variability - Heat wave - Cold snap/frost	- Setting maximum and minimum temperature setpoints. - Modernisation and optimisation of lighting systems. - Liquid cooling, free cooling. - Automatic shutdown and monitoring systems. - Hot air conversion.	- Hot and cold corridors. - Boiler control. - Infrastructure modernisation.	- More efficient planning of base stations. - Implementation of power-saving features (PSFs) in the access network. - Legacy network shutdowns. - Infrastructure compacting. - Base station sharing. - Temperature-resistant batteries.
 Renewable energy	Drought	- Implementation of photovoltaic generation systems. - Efficient use of water in cooling systems. - Contracting renewable energy with PPAs.		
 Business continuity	Extreme weather events (floods, wildfires and landslides)	- Inventory of assets and business processes to determine the probabilities of possible losses in different scenarios and payback periods. - Business continuity plans by relevant services/processes per country, with restoration of essential activities in case of disruption. - Crisis management. - Implementation of smart metering systems. - Automatic systems, allowing geographical identification of assets. - Services to monitor the operation of equipment/assets, optimising maintenance, avoiding breakdowns. - Maintenance of the current network infrastructure (fixed and mobile), transmission and switching elements. - Deployment of batteries at mobile network sites to strengthen energy autonomy. - Deployment of generators to increase energy autonomy at central offices and critical buildings. - Underground installation of the main telecommunications lines. - Network of Incident Response Centres (CSIRT) at global level.		

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The circular economy allows us to grow while using fewer resources and avoiding indirect carbon emissions due to equipment reuse.

Our ambition



Drive **decarbonisation and supply chain resilience** by collaborating with suppliers and the JAC sectoral initiative.



Reuse or recycle 100% of waste by 2030 and become a **Zero Waste** company.



Promote **reuse models** to **avoid CO₂ emissions** associated with manufacturing.

According to the SBTi initiative, scope 3 emissions represent a major challenge for most companies because, being outside the boundaries of direct control, the process of collecting activity data is more complex and the allocation of responsibilities is more diffuse.

In addition, although **scope 3** has decreased by 28.2% since the base year, it represents 97% of the Group’s total emissions and is gaining more and more weight in the footprint (in 2016, it represented 84%), due to the significant work carried out to decarbonise the Company’s operational model and the resulting reduction in scope 1 and 2 emissions.

Some of the best practices include the implementation of green procurement policies, engagement with suppliers to encourage them to reduce their own emissions, innovation in business models to extend the useful life of products and the design of more efficient products that integrate circular economy principles.

According to the Draghi⁴⁴ Report, the **circular economy** helps reduce dependence on natural resources and imported raw materials through the reuse and recycling of materials. **Circular economy and decarbonisation strategies enhance the competitiveness of European industries** by lowering operating costs, fostering innovation, strengthening economic security and resilience against fluctuations in global markets, while ensuring long-term sustainability.

At Telefónica, **the procurement of products and services is the main source of emissions**, accounting for 80% of its scope 3 emissions.

The Company has identified opportunities to meet its emissions reduction targets through collaborative projects with its suppliers and with other companies in the telecommunications sector that share the same challenges.

As a result, Telefónica actively participates in working groups and cooperates with its suppliers to incorporate environmental criteria into the supply of equipment. The reuse of mobile phones and fixed customer equipment (routers and set-top boxes) is also key to reducing scope 3 emissions, as avoiding the purchase of new equipment reduces the consumption of raw materials, energy and emissions associated with manufacturing. Thanks to this initiative, Telefónica has avoided emitting over 107,000 tonnes of CO₂ in 2025.

Key actions

The following describes the main key actions aimed at reducing emissions across the Telefónica Group’s value chain:

- Supplier engagement.
- Collaboration with other telcos in JAC.
- Circular asset management.
- Purchasing with environmental criteria.
- Use of SAF and changes in business travel habits.

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Understanding the climate maturity level of our suppliers is key to help them accelerate their decarbonisation. This also enables us to strengthen our supply chain and ensure long-term business continuity.



Supplier engagement

Recognising the vital role of suppliers in managing scope 3 emissions, Telefónica has developed an **engagement framework** to support them in their decarbonisation process. The Company implements various initiatives with its most strategic suppliers in terms of emissions, with the scope adapted to how much they contribute to Telefónica's footprint.

As the foundation of this collaboration framework and to establish common criteria for all suppliers within the procurement model, Telefónica requires acceptance of the Supplier Code of Conduct, which includes, among other aspects, requirements on reducing GHG emissions. This way, the Company sets minimum standards applicable to all scope 3 emissions in categories 1 and 2.

Telefónica has classified suppliers based on their contribution to the Group's carbon footprint and divided them into three levels:

- > **Priority group 1:** key suppliers in terms of ICT sector emissions.
- > **Priority group 2:** approximately 80 suppliers, accounting for almost 50% of emissions.
- > **Priority group 3:** approximately 140 suppliers, accounting for over 60% of emissions.

Supplier engagement initiatives





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Once the supplier priority groups have been established, various strategic initiatives are implemented jointly, distributed according to the supplier's contribution to the Group's carbon footprint. Some of the main actions undertaken according to the established priority group are detailed below.

Starting at the base of the pyramid, Telefónica aims to collaborate with **priority Group 3** on the following initiatives to analyse the climate strategy of those suppliers responsible for the majority of supply chain emissions:

> **CDP Supply Chain campaign:** key suppliers in terms of emissions are invited to participate in the CDP Supply Chain programme, where they provide information about their strategy, targets and climate actions. In 2025, 141 suppliers accounting for over 60% of supply chain emissions were invited.

> **Supplier Engagement Programme (SEP):** based on the information collected through the CDP Supply Chain, a carbon maturity curve is produced, classifying suppliers into five levels of maturity according to their climate management. Telefónica shares this analysis with them and, as part of the programme, identifies areas for improvement through a commitment model, with specific training sessions also offered based on the suppliers' maturity level.

For a subgroup of these suppliers, who represent around 50% of emissions and belong to **priority group 2**, the following additional requirement has been set:

> **Requirement to establish science-based reduction Targets (SBTi):** these suppliers are required to commit to Science-Based emissions reduction Targets and validate them through the Science-Based Targets initiative. In addition, their commitment is monitored periodically.

Moreover, the Telefónica Group invites those suppliers who, due to their contribution to GHG emissions in the ICT sector, also belong to **priority group 1** to participate in the Carbon Reduction Programme (CRP) collaborative initiative.

> **Carbon Reduction Programme (CRP):** this is managed through the Joint Alliance for CSR (JAC) sector initiative, with the aim of promoting GHG emissions reduction at product level. Suppliers identify carbon-intensive products and through a Life Cycle Assessment (LCA) they determine which stages offer the greatest potential for emissions reduction. Based on this analysis, specific reduction plans are agreed with the specific suppliers of these products. In 2025, a collaborative process was undertaken through the CRP with 56 suppliers from the sector, the majority of whom were also suppliers to Telefónica.



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Collaboration with other telcos in JAC

Sector collaboration is key to amplifying the impact of some of these actions. For example, Telefónica is part of the **Joint Alliance for CSR (JAC)** sector initiative, where **32 telecom operators** (representing around 70% of the industry's spend), share efforts to verify, evaluate and develop the implementation of sustainability standards in ICT sector supply chains.

Since 2020, Telefónica has led a sectoral working group to **drive climate action in the supply chain as a telecommunications sector**. This project aims to get key suppliers in the sector to increase their level of ambition and establish science-based emission reduction targets, in addition to providing training in collaboration with the CDP and the GSMA⁴⁵ to the most relevant companies.

The **SEP now evaluates nearly 700 suppliers**, compared to 200 when it began. For its part, the CRP, which was initially supported by 3 operators, now has the backing of **more than twelve companies** worldwide, including Telefónica. This collaborative approach multiplies the scope of these initiatives and simplifies the reduction of scope 3 emissions, contributing to meeting Telefónica's 2040 target.



⁴⁵ [GSMA](#) is an organisation of mobile operators and companies across the mobile ecosystem dedicated to supporting the standardisation, implementation and promotion of the mobile phone system. It has approximately 800 mobile operators and more than 200 related companies as members.

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Thanks to the reuse of 3.5 million routers, set-top boxes and mobile phones, the generation of 1,600 tonnes of waste and the emission of 107,000 tonnes of CO₂ have been avoided. This creates value for the business by reducing the associated costs.



Circular asset management

According to the **World Resources Institute (WRI)** and the **Circularity Gap Report⁴⁶**, nearly half the emissions that cause climate change come from the production and use of everyday items. Hence, the circular economy is seen as a crucial complement to energy efficiency actions, to paint a complete picture of a resilient, net-zero world which achieves the targets of the Paris Agreement.

The circular economy represents great opportunities, based on the reduction of impacts, the extension of the useful life of products, the recovery of raw materials or the dematerialisation of the economy thanks to digitalisation. Specifically, the **Circularity Gap Report⁴⁶** estimates that **the telecommunication sector has the potential to reduce emissions by around 0.19 gigatonnes of CO₂e globally and the use of 0.33 gigatonnes of virgin materials through digitalisation, cloud devices or IoT, and the design of smaller and lighter devices.**

Every year, more than 100 billion tonnes of resources are consumed and only 6.9%⁴⁷ are recycled or given a second life. Doubling this value is estimated to have the potential to reduce global GHG emissions by 39% and reduce resource use by 28%.

The following figure shows the action plans defined to achieve the objective of being a **Zero Waste** company by 2030, along with Telefónica's endorsement of the GSMA's circular economy commitments for the sector:

Zero Waste 2030



Target:

100%

Reused and recycled waste in 2030



Progress:

95%

Reused and recycled waste in 2025

Action Plans



Reuse of routers



Reuse of network equipment



Reused mobile devices



Recycling of waste

GSMA sectoral commitments

20%

Collected mobile devices by 2030

100%

Reused and recycled mobile devices by 2030

100%

Reused and recycled network equipment

⁴⁶ The Circularity Gap Report (2022). Download available at: <https://www.circularity-gap.world/2022#Download-the-report>

⁴⁷ The Circularity Gap Report (2025). Download available at: <https://www.circularity-gap.world/2025>



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Telefónica promotes the reuse and recycling of valuable equipment and materials rather than their disposal, so that they can be reincorporated into the production cycle as resources. This also avoids the emissions associated with the extraction and processing of new natural resources, which would be necessary if these valuable materials were not reused or recycled.

> **Network equipment:** during the transformation of the network, many pieces of equipment are reused within Telefónica, thus promoting the circular economy in the decommissioning processes. To support reuse, the Company has launched programmes and platforms to extend the useful life and reuse of second-hand network equipment, such as the MAIA marketplace.

In 2025, Telefónica reused 781,822 pieces of network equipment, meeting the industry-wide commitment proposed by the GSMA to reuse and recycle 100% of the network equipment collected.

> **Fixed customer premises equipment:** Telefónica reused 3.2 million pieces of equipment in 2025, equivalent to 80% of all routers and set-top boxes delivered for refurbishment. To this end, Telefónica has initiatives such as the VICKY platform, which uses blockchain technology to enhance greater traceability throughout the equipment value chain, and the APOLO platform, which improves the efficiency in reverse logistics processes with the use of big data & analytics to optimise equipment collection routes.

> **Mobile devices:** Telefónica prioritises the reuse of its own and customer mobile devices through buy-back programmes, the refurbishment and sale of devices, as well as repair services. Thanks to these initiatives, the Company reused 357,188 devices in 2025.

To avoid mobile devices being left forgotten in customers' drawers, Telefónica, along with 11 other operators, signed up in 2023 to the GSMA's circular economy commitments for mobile devices. As part of these commitments, in 2025, Telefónica collected nearly 95 tonnes of mobile devices, representing 15% of the total number of new mobile devices distributed, and reused and recycled 100% of these.

When reuse is not possible, **electronic equipment is recycled**, as it contains precious metals such as gold, copper or nickel, which can be used as resources in a new product. In this way, Telefónica has reused 75% of the total electronic equipment collected and recycled 25%.



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We work with our suppliers to integrate environmental criteria into home connectivity equipment to reduce its impact on the planet throughout its life cycle.



Purchasing with environmental criteria

Telefónica incorporates environmental and circular economy criteria into its Supplier Code of Conduct, which sets out the commitment of suppliers to implement preventive measures that reduce the environmental impact of their activities, such as eco-efficiency measures both in the supply of products and services to Telefónica and in their own operations. These measures cover the entire life cycle, from raw material extraction, manufacturing and transport to waste management and final disposal.

The Company does not manufacture equipment itself but collaborates closely with its suppliers to integrate eco-efficiency criteria into the home connectivity equipment carrying the Company's brands image (Movistar, O2 or Vivo). Through this collaboration, the equipment installed in customers' homes is more durable, utilises fewer raw materials, and consumes less energy, resulting in lower emissions. Some examples:

> FTTR (Fibre to the Room) device: a 'fibre to the room' connectivity device with 70% recycled plastic in its casing. It also features energy efficiency measures and improvements in packaging, such as reduced plastic use, using paper for cable ties, and fewer commercial documents accompanying the equipment.

> HomeSpot 5G router: it underwent a Life Cycle Assessment (LCA) study based on ISO 14040 and ISO 14044 standards and carried out in collaboration with IHOBE. In addition, a repairability and recyclability study was carried out in accordance with the UNE-EN 45554 and UNE-EN 45555 standards, concluding that the HomeSpot 5G router is 63% repairable and 89% recyclable and recoverable.

> HomeBox 4 router: a device certified with the "TÜV Green Product Mark" and winner of the international "Green Product Award", which incorporates around 62% recycled materials. Its packaging is made from 100% FSC-certified recycled materials and it consumes less energy than the previous model thanks to its energy-efficiency features.

> Movistar WiFi 7 router: contains 70% recycled materials and incorporates highly resistant and durable materials, thereby increasing its estimated lifespan. Furthermore, its packaging contains 100% FSC-certified recycled materials and features energy efficiency measures.

Telefónica has also established **a Corporate Instruction for low-carbon purchases**, setting the criteria for acquiring equipment based on energy consumption and fluorinated gas content. This approach includes calculating the Total Cost of Ownership (TCO) in the procurement process, meaning that in addition to the purchase cost, the energy and carbon costs over the product's lifetime are considered. This provides comprehensive information to select the best option in terms of cost, energy use and GHG emissions.

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Use of SAF and changes in business travel habits

Emissions associated with business travel of Telefónica employees account for 1% of the value chain's emissions. To reduce them, several initiatives have been defined, such as the use of sustainable aviation fuel or the promotion of sustainable behaviour by employees through travel regulations.

Sustainable Aviation Fuel (SAF) is an alternative fuel to fossil fuels for aircraft, produced from agricultural or forestry waste, renewable hydrogen and CO₂ captured from the air or industrial processes. SAF is considered one of the most effective instruments for decarbonising the aviation sector, as it is estimated that it could reduce CO₂ emissions in its life cycle by up to 80% compared to traditional fuel, and it is not necessary to modify aircraft mechanisms or airport infrastructures. Telefónica will collaborate with the aviation sector to promote initiatives that increase the use of SAF for business travel.

In addition, the Group's Travel Policy recommends that employees choose travel options that minimise emissions, prioritising trains over planes for medium-distance journeys whenever possible. As the energy transition progresses, land transport (rental cars, buses and taxis) is expected to become electrified, so Telefónica recommends that its employees use electric vehicles.

Value generation



- Our strategic suppliers are common within the sector. Therefore, tackling their decarbonisation in a collaborative manner improves efficiency and reduces costs. Furthermore, reusing equipment reduces the investment required for new equipment. In addition, taking the TCO (Total Cost of Ownership) into account enables us to choose more efficient equipment, which consumes less energy and reduces costs over its lifetime.
- In terms of business resilience, reusing equipment improves the ability to respond to supply chain disruptions.

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Commercial model



Integrating sustainability into Telefónica’s business proposition creates new business opportunities and long-term value creation. We help our customers to decarbonise their operations through digital transformation and connectivity.

Our ambition



Help customers **reduce their CO₂ emissions** through the development of green digital and connectivity solutions.



Increase the **buyback, repair and sale** of **refurbished** mobile phones.



Eco Rating

Help customers make **informed decisions** using the **Eco Rating**.

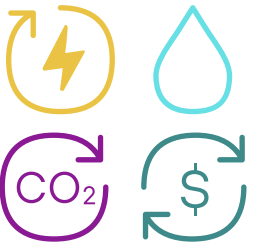
A study by the Exponential Roadmap⁴⁸ initiative indicates that, although the telecommunications sector is responsible for only 1.4% of global emissions, the development of digital technologies can **significantly reduce emissions in other sectors**. According to the study, the implementation of digital solutions in sectors such as energy, industry, agriculture, construction and transport has the potential to **reduce fuel-related emissions by 15% by 2030**, and by a further 35% indirectly **through its ability to transform people’s habits**. The digital revolution and the evolution of information technologies are key enablers for the transformation towards disruptive business models that integrate sustainability, resource efficiency, circular economy and climate targets into their operating models.

Telefónica **helps its customers decarbonise their business through digital transformation and connectivity** as key levers to use resources efficiently and drive sustainability. In 2025, thanks to the efficiencies generated by Eco Smart and connectivity services, it is estimated that Telefónica’s customers in Spain, Brazil and Germany **avoided the emission of 19.2 million tonnes of CO₂**.

Key actions

One of Telefónica’s key environmental strategy priorities is to **promote connectivity and digitalisation as key drivers for the green transition** and improved competitiveness of our customers.

At the same time, the Group provides **information regarding the environmental benefits or attributes of our products and services** so that customers can identify how their technology purchase will help drive their own sustainability goals.



Eco Smart Services



Avoided emissions



Eco Rating



Responsible design



Commitment to responsible communication



Buyback and sale of refurbished mobile phones

48 Exponential Roadmap (2019). Scaling 36 solutions to halve emissions by 2030. Disponible en: https://exponentialroadmap.org/wp-content/uploads/2019/09/ExponentialRoadmap_1.5_20190919_Single-Pages.pdf

49 The report estimates the lifecycle carbon footprint of the information and communications technology (ICT) sector at 730 MtCO₂e (1.4% of the global total, and use of 3.6% of global electricity for its operations), based on 2015 data.

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Commercial model

Key actions

Eco Smart Services

Telefónica's **Eco Smart** solutions for B2B customers, developed through connectivity-based services, the Internet of Things (IoT), cloud, big data and 5G, promote digital transformation and have the potential to generate significant environmental benefits in their production processes, such as optimising resource use, accelerating the transition to circular economy models and reducing their emissions. These support customers in developing their business in a more efficient and sustainable way. The Eco Smart seal is a **distinctive label that identifies**, through **AENOR**, whether a Telefónica digital product or service has the potential to generate environmental benefits. Thus, supporting Telefónica's customers in identifying how digitalisation can make their organisation more efficient and sustainable.

Currently, 57% of the services offered by the Company for the B2B segment have been identified as capable of generating environmental benefits and helping reduce customers' environmental impact.



ECOSMART



Within the Group, Telefónica Tech is responsible for developing B2B services that incorporate digital solutions to help customers transition to low-carbon models. Some examples of Telefónica's **Eco Smart products and services include:**

Environmental benefit		Examples
	Energy savings	✓ Smart Energy: services that allow the customer to control and manage the energy of installations and/or equipment, reducing their electricity and/ or fuel consumption. ✓ Fleet management services that enable fuel savings. ✓ Use of drones for inspections of critical and remote assets, saving the fuel that would otherwise be needed for personnel travel. ✓ Cloud services: reduce the customer's energy consumption by means of platforms or servers hosted in highly efficient data centres.
	Reduction of water consumption	✓ Smart water meters in facilities or buildings or applied to services such as irrigation management in cities or agriculture, which reduce water consumption. ✓ Smart Agro solutions enable digitalisation in the agricultural sector and improve decision-making based on crop data and environmental information. This helps to make the most of limited resources, mainly irrigation water, but also fertilisers, phytosanitary products and pesticides. ✓ Smart Industry services that improve water efficiency in sectors with a high dependence on this resource, such as food, beverages, cosmetics and water companies.
	Reduction of CO ₂ emissions	✓ Digital Workplace solutions enable flexible and remote working, thereby both reducing employees' commuting and the need for air conditioning in offices. ✓ E-Health solutions facilitating remote health care, avoiding patient travel and associated emissions. ✓ Solutions for the transport sector, which optimise the planning of transport infrastructure and systems by using more information about passengers, timetables and routes, and which reduce their environmental impact. ✓ Air quality measurement sensors and use of big data on the data obtained (air pollution and traffic) to predict pollution levels and implement measures to improve air quality and reduce CO₂ emissions.
	Circular economy	✓ Services that allow monitoring of equipment/assets and provide information on their state of operation, optimising maintenance, avoiding breakdowns and, therefore, extending their useful life. ✓ Products and services that optimise production processes, reducing the consumption of raw materials or minimising waste. ✓ The inclusion of blockchain technology capabilities in many of the above examples enhances traceability, transparency and security, enabling faster and more efficient ways of doing things, thus boosting the circular economy.

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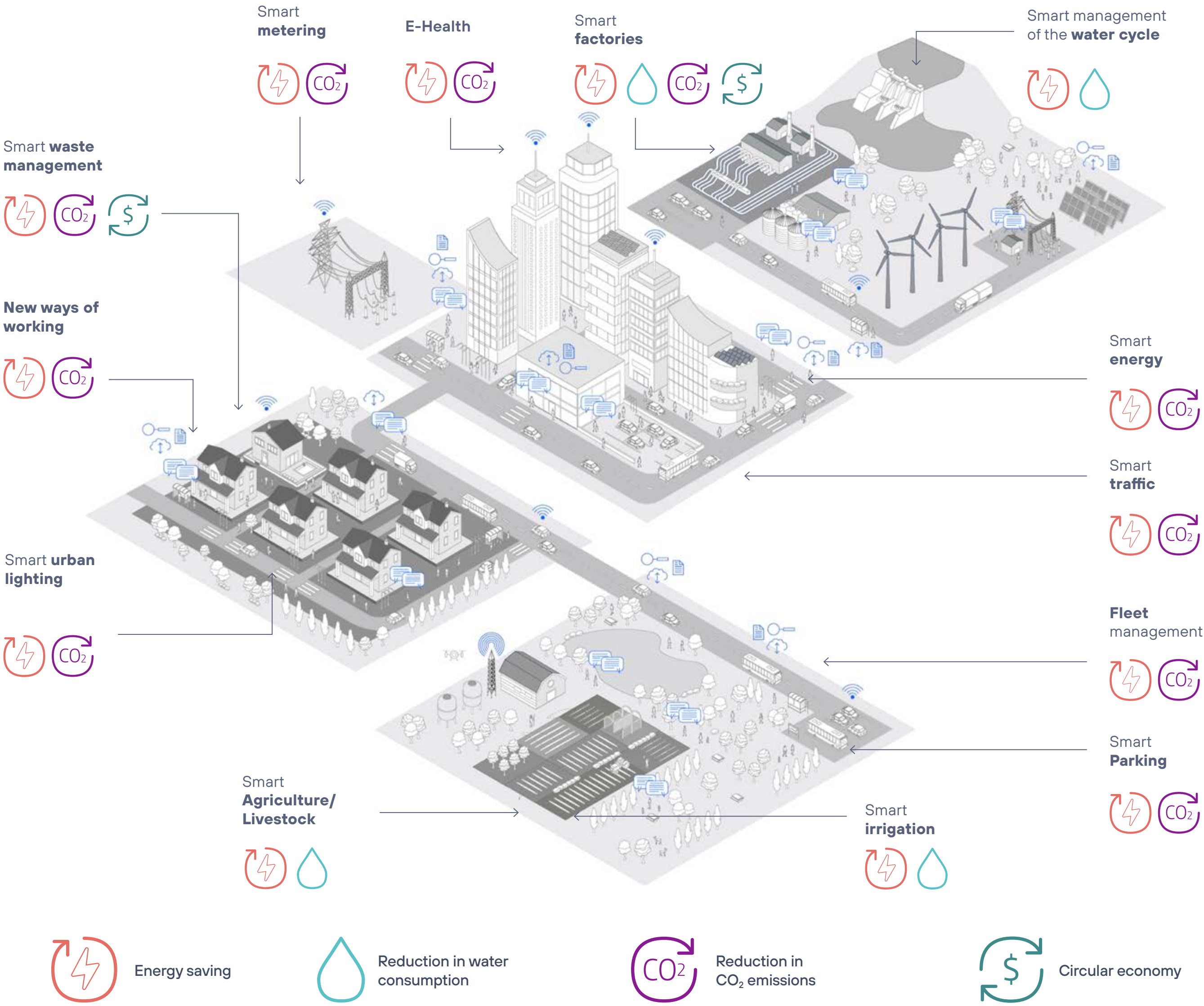
Commercial model

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Avoided emissions

Since 2017, Telefónica has developed and implemented **a calculation methodology that translates the efficiencies** (energy, operational or material consumption) generated by the services implemented for customers into avoided CO₂ emissions. The methodology is based on both the WBCSD Guidance on Avoided Emissions and the ITU standard L.1480: “Enabling the Net Zero transition: Assessing how the use of information and communication technology solutions impact greenhouse gas emissions of other sectors”.

As a result of applying this methodology, Telefónica estimates that by 2025 its efforts enabled customers in Spain, Brazil and Germany to avoid 19.2 million tonnes of CO₂ emissions. This underscores the pivotal role of new technologies in catalysing the transition to a low-carbon model.



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Telefónica, through the Eco Rating system, helps its customers incorporate sustainability criteria into mobile phone purchasing decisions. It also offers buyback and sale options for refurbished mobile phones”.



Eco Rating

The main objectives of the Eco Rating system are to help **customers** incorporate sustainability criteria in purchasing decisions and encourage **manufacturers** to reduce the environmental impact of the devices they put on the market.

» **Eco Rating** quantifies the **environmental impact of mobile phones throughout their entire life cycle** (from raw material extraction, production, transportation and use to disposal or recycling). Sixteen environmental indicators are assessed, including GHG emissions and material consumption, with additional information provided on durability, reparability, recyclability and resource efficiency.

The **Eco Rating label** shows the environmental impact of devices using a methodology that assigns each of them a score (from 1 to 100), with the most sustainable phones receiving the highest scores. This label enhances transparency in the telecommunications sector and **enables** customers of any **Telefónica operator to make informed choices**. It helps them **apply sustainability criteria**, leading to more sustainable practices in the sector. Within the Group, this system has been rolled out by all operators and more than 400 mobile phone models have been assessed.

This initiative also encourages manufacturers to reduce the environmental impact of their devices, which is especially relevant to Telefónica given that **emissions from the manufacture, transport and use** of these devices accounted for 12% of the Company’s scope 3 emissions in 2025.

Responsible design

Telefónica has developed the Responsible Design framework to integrate sustainability criteria into its equipment, from conception to final delivery to the customer. This approach ensures **regulatory compliance** while also encouraging **innovation** and **continuous improvement** at every stage of the process. This contributes directly to decarbonisation and the efficient use of resources, which are key to achieving the Group’s environmental commitments: net zero emissions by 2040 and becoming a Zero Waste company by 2030.

Commitment to responsible communication

The Company is aware of the influence of communication that the audiovisual world has in **encouraging more sustainable habits** among consumers.

Movistar Plus+ has included sustainability requirements in its style guide for just over four years. Specifically, it emphasises the mandatory implementation of production-specific sustainability plans for its original drama series. Additionally, it produces monitoring reports including carbon footprint measurements and external verification of these calculations. To date, 49 projects in various formats have been undertaken, ranging from series (38) – which account for the largest number – to documentaries (2) and co-produced feature films (9) that have adhered to these criteria, achieving an average reduction of just over 12% in emissions per production. In turn, elements to raise awareness of sustainability are being introduced into series and films with the aim of normalising sustainable attitudes that encourage viewers to adopt more responsible habits.



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We have also joined the World Federation of Advertisers' Planet Pledge initiative to increase the capacity of marketing and communication teams to lead on climate action and to strengthen a trustworthy environment that **avoids greenwashing**.

Buyback and refurbishment of mobile phones

The reuse and recycling of used mobile phones **reduces energy and resources consumption**, as it avoids the manufacture of new equipment. Thus, Telefónica offers its customers options to buy back and sell refurbished mobile phones.

Value generation



- The integration of sustainability into the commercial offering of Telefónica is driving new business opportunities and contributing to the decarbonisation of our customers' operations. The Company generated €743 million in revenue from sustainable products and services. Furthermore, revenue is generated through the sale of refurbished devices.

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Economic model



Telefónica promotes sustainable investment and optimises financial costs through initiatives that capitalise on the opportunities arising from the transition to a decarbonised economy.

Our ambition



Continue to **be pioneers in sustainability-linked financing.**



Incorporate **telecommunications networks** as a **taxonomic activity** for climate change mitigation.



Progressively improve disclosure on **the impact of climate change** in the Company's **financial statements** and the connection between financial statements and the sustainability report.

Telefónica is a leader in sustainable financing. In 2019, it was the **first company in the telecommunications sector to issue a green bond**. Telefónica's sustainable financing currently accounts for a significant portion of its total financing.

In total, by the end of 2025, over €10.3 billion had been allocated to projects with environmental and social impact. More than 85% of the funds have been allocated to projects for the transformation and modernisation of the fixed and mobile network of the Company.

Regarding the EU taxonomy for sustainable activities, Telefónica is working to highlight the role of telecommunications networks in mitigating climate change, transitioning to a carbon-neutral economy and the need to establish a regulatory framework that channels the investment in infrastructure required for green digitalisation.

Key actions

Financing linked to sustainability criteria



> Sustainable financing.

Financial analysis of climate change



- > European taxonomy for sustainable activities.
- > Climate-related resources and financial effects.

Carbon pricing



- > Shadow price in purchasing decisions.
- > Internal rate of return on emissions.

Financing linked to sustainability criteria

Telefónica's ability to implement its climate change-related strategic actions depends largely on the availability and allocation of financial resources. Access to capital with sustainability criteria supports the implementation of projects with a positive environmental and/or social impact, such as fibre and 4G/5G network deployment.

Telefónica **is positioned among the sector leaders in the capital market in terms of sustainable financing**. These issuances are underpinned by the Company's Sustainable Financing Framework⁵⁰, aligned with market best practices and investors' expectations. The framework is underpinned by benchmark standards such as the Green Bond Principles promoted by the ICMA⁵¹, and others, and has been validated through an independent second opinion.

The Company uses other financing tools linked to sustainability targets, such as loans and credit facilities, or the issuance of local bonds. Since 2022, the Group's main syndicated loan has had interest rates linked to the achievement of targets such as the reduction of absolute GHG emissions (scopes 1 and 2) in line with the corporate targets for 2040; and the increase in the number of women in executive positions by 2030.

At the end of 2025, the Group had financing linked to sustainability criteria amounting to €20.49 billion, comprising: current and non-current financial liabilities of €4.524 billion, hybrid instruments of €6.05 billion, and undrawn committed credit facilities of €9.706 billion. Overall, at the end of the financial year, the Group's sustainable financing accounted for 40.7% of the Group's total financing⁵².

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

51 International Capital Markets Association.

52 This figure reflects the Group's scope at the end of 2025, including Colombia (in the process of being discontinued by the end of the 2025 financial year).

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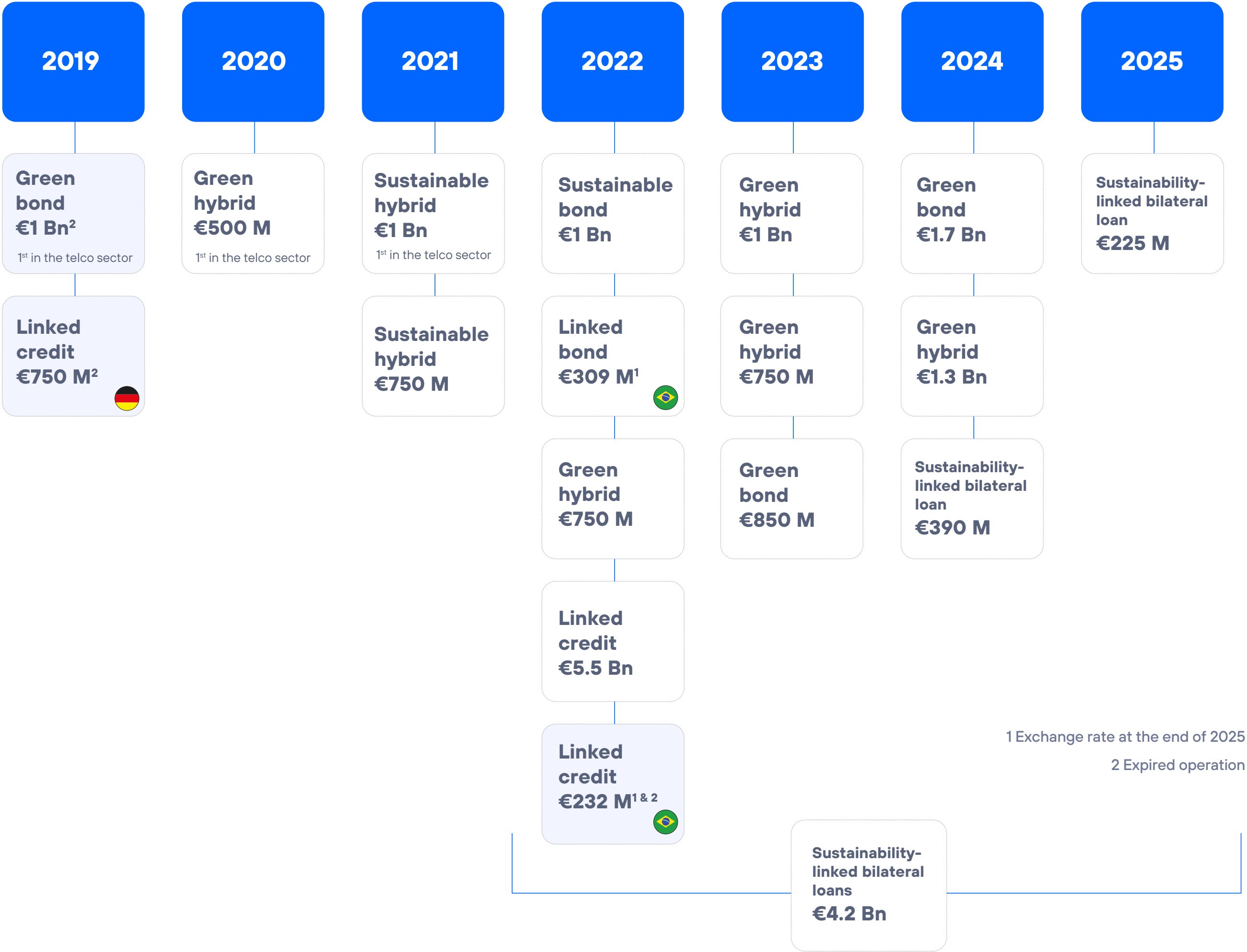
In January 2026, Telefónica continued to strengthen its sustainable financing strategy with the issuance of €1.75 billion in green hybrid instruments and the placement of a €1 billion senior green bond.

These instruments – bonds, hybrids and bank financing – have taken on a significant role in the Group’s financial structure and are widely recognised voluntary tools in the financial markets for promoting the transition towards a more sustainable economy.

The environmental projects that have been financed are intended to support Telefónica in achieving its decarbonisation targets on its journey to net zero. The main initiatives that have an impact on the fight against climate change include improving the energy efficiency of network infrastructure, transitioning to renewable energy models and developing digital solutions that promote environmental sustainability. Since 2019, these projects have prevented more than 1 million tonnes of CO₂.

The specific projects to which the funds from each issue are allocated, and the associated impact can be consulted, once audited, on Telefónica’s Sustainable Finance website.

Timeline of sustainable financing issuances and operations



1 Exchange rate at the end of 2025
2 Expired operation

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European Taxonomy for sustainable activities

As part of the Action Plan on Financing Sustainable Growth and the European Green Deal, the **Taxonomy Regulation (EU) 2020/852** establishes the basis for the classification system and the requirements that determine when an economic activity may be considered sustainable.

Telefónica’s main eligible activities are:

> **Climate Change Mitigation (CCM)**

- Cloud services (activity 8.1. CCM).
- Data-driven solutions for GHG emissions reductions (activity 8.2. CCM).
- The installation, maintenance and repair of renewable energy technologies (activity 7.6. CCM).

> **Transition to a circular economy**

- The rental of equipment required to provide connectivity and television services to Telefónica customers, whether individuals or businesses (activity 5.5. CE).
- The sharing of network infrastructure among operators involved in the provision of connectivity services, which promotes efficiency and the optimisation of resources (activity 5.5. CE).

The table in this section summarises the share of turnover and CapEx from Telefónica’s eligible activities aligned with the taxonomy’s technical criteria:

2025 fiscal year	Taxonomy eligible and aligned activities			Breakdown by environmental targets of taxonomy-aligned activities	
KPI	Total	Proportion of eligible activities	Taxonomy aligned activities	Climate change mitigation	Circular economy
	M€	%	M€	%	%
Turnover	35,120	10	2,397	2.2	4.7
CapEx	7,798	24.8	581	0.3	7.1

In this context, eligible revenue stands at 10%, representing an increase of 3.8 percentage points compared to 2024, whilst eligible CapEx stands at 24.8%, an increase of 15.2 percentage points. This positive trend is also reflected in alignment: 6.9% of revenue is aligned, representing an increase of 3.8 percentage points. Meanwhile, aligned CapEx remains at 7.4%, in line with the previous year.

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Some of the **financial resources**, both CapEx and OpEx, allocated in 2025 to the actions that make up the Climate Action Plan:



Network transformation and renewable energy

€-1,898 M



Renewable electricity purchase agreements

€-1,234 M



Data-driven solutions for GHG emissions reductions

€-26 M



Circular economy actions

€-1,891 M

Most significant **financial impacts** in 2025 of material climate-related risks and opportunities:



Financing linked to sustainability criteria

€+20,490 M



Data-based solutions for reducing GHG emissions

€+743 M



Circular economy-related opportunities

€+1,789 M

Climate-related resources and financial effects

In a context where corporate resilience is increasingly linked to sustainability, climate change has a dual impact on financial management. On the one hand, companies need resources to carry out the transition and ensure business continuity in a GHG-neutral economy and, on the other, they must understand how climate change affects their financial statements.

Below are some of the **financial resources**, both CapEx and OpEx, allocated in 2025 to the actions that make up the Climate Action Plan. The 2026–30 Sustainability Plan also references these as examples of value creation:

> **Network transformation and renewable energy:** in 2025 Telefónica invested €1.898 billion in transforming and modernising its high-speed fixed and mobile networks, including support infrastructure and software that improved energy efficiency. Moreover, by the end of the year, Telefónica had renewable electricity purchase agreements (PPAs) worth €1.234 billion.

> **Data-driven solutions for GHG emissions reductions:** Telefónica invested €26 million in fixed assets (CapEx) in digital solutions such as remote working, smart mobility and e-health, and in energy efficiency solutions across Telefónica’s telecommunications network (corresponding to activity 8.2. CCM of the Taxonomy Regulation).

> **Circular economy actions:** Telefónica invested €1.891 billion for equipment needed to provide connectivity and TV services to both residential and business customers, as well as in initiatives that promote the optimisation of resources, such as the sharing of network infrastructure (corresponding to activities 5.5. CE of the Taxonomy Regulation).

In 2025, the significant **financial effects** of material risks and opportunities related to climate change were quantified. The most significant of these are outlined below:

> **Financing linked to sustainability criteria:** as mentioned previously, as at 31 December 2025, the Group’s sustainability-linked financing reached €20.49 billion. This financing includes current and non-current financial liabilities amounting to €4,524 million, hybrid instruments amounting to €6,050 million and committed undrawn credit facilities amounting to €9,706 million. Further details can be found in the section “Financing linked to Sustainability Criteria” of this Climate Action Plan.

> **Extreme weather events:** during 2025, Spain experienced several large-scale forest fires that affected the Company’s operations and required the activation of an emergency response to restore connectivity in the affected towns. Furthermore, in 2024 there were two other extreme weather events: the DANA (isolated high-altitude low-pressure system) in Valencia (Spain), and the floods and landslides in the state of Rio Grande do Sul (Brazil). Damage assessments for these events were largely completed during 2025, with the final figures proving lower than the preliminary estimates. The measures adopted to strengthen the Company’s resilience to climate risks, together with existing insurance programmes and cover, have mitigated the financial impact associated with these events, meaning they have not had a material impact on the Group’s financial position.

> **Data-based solutions for reducing GHG emissions:** the Group recorded a revenue of €743 million from this taxonomic activity 8.2. CCM of sustainable digital solutions.

> **Circular economy-related opportunities:** Telefónica recorded a revenue of €1,789 million from the rental of equipment necessary for the provision of connectivity and television services and from the sharing of network infrastructure, corresponding to activity 5.5. CE as defined in the Taxonomy.

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The internal carbon price helps the Company make better investment and equipment procurement decisions, as well as meet its emissions reduction targets.



Carbon pricing

Internal carbon pricing is one of the most effective tools for companies to manage the risks and opportunities associated with their carbon footprint and thus internalise the costs of GHG emissions, enabling efficient financing of their transition to a decarbonised economy.

Setting an internal price on carbon means **internalising the cost of GHG emissions** by assigning a monetary value to each tonne emitted, so that companies can identify the cost of GHG emissions.

Telefónica implements a **shadow price in purchasing decisions** for equipment with high electricity and/or fuel consumption, as well as equipment containing refrigerant gases. To this end, it has issued a Corporate Instruction that includes the calculation of Total Cost of Ownership (TCO), allowing procurement processes to be guided towards more efficient technologies and equipment.

Value generation



- Sustainable financing, based on environmental and social criteria, helps to attract investment and enables the use of green and sustainable debt for the development of grid transformation projects.
- Compliance with ESG criteria facilitates access to investment. This is because it strengthens the Company's position in the capital markets.



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Climate change strategy is the responsibility of the Board of Directors.

Our ambition

-  Involve all levels of the organisation, defining oversight and accountability **responsibilities**.
-  Link **variable** employee **remuneration** to climate targets
-  Train employees to build an **organisational culture** in the field of climate action.
-  Ensure a **just transition** through the due diligence process.
-  Continue to be leaders in **transparent reporting**.
-  **Work together with other companies in the sector** to advocate for the adoption of climate policies aligned with the Paris Agreement.

Transparency and integrity of corporate climate action are among the principles that are becoming increasingly important in the disclosure of climate commitments, thereby facilitating decision-making by investors and other financial market participants.

In accordance with TCFD recommendations, it is essential for companies to have defined their governance mechanisms to assign responsibilities to the different executive bodies and ensure the achievement of the targets defined in the Climate Action Plan.

Telefónica embeds climate- and sustainability-related aspects into into its organisational culture through: allocating responsibilities within its governance structure, formulating policies that align with its energy and climate change ambitions and targets, implementing a due diligence process, launching internal actions to train and motivate employees, upholding transparency in its reporting and communication strategy, and ultimately, forging strategic alliances and engaging in advocacy efforts.

Furthermore, it is important to emphasise that transition plans adapted to the specific context of each country can be developed at the local level.

Governance mechanisms

Environment and climate change are cross-cutting issues throughout the Company, engaging operational and management areas, alongside business and innovation divisions.

Oversight and accountability

The Climate Action Plan is approved by the Board of Directors, after an analysis by the Sustainability and Regulation Committee.

The Sustainability and Regulation Committee, the Audit and Control Committee and the Nominating, Compensation and Corporate Governance Committee, in line with the duties specified in their respective rules of procedure, supervise its implementation and associated risks, and monitor progress towards the targets.

The Global Energy and Climate Change Office, comprising the global Technology (Global CTIO) and Environment areas, is responsible for executing the Plan, in coordination with the business units and other corporate divisions, including, depending on the matter concerned, areas such as Procurement or ESG Supply Chain, amongst others.

In order to ensure that the energy and climate change strategy is integrated into all company operations, Telefónica incorporates climate change aspects at all governance levels, in the Company’s strategic indicators and key targets as a long-term incentive.

Telefónica offers a **feedback mechanism for the Climate Action Plan**, enabling stakeholders to share their comments and perspectives on the Plan. The Company discloses its climate strategy to the market, shareholders, institutional investors and other stakeholders through the Sustainability Report submitted to the Spanish National Securities Market Commission (CNMV). Additionally, it is disclosed on its corporate website, within the Shareholders and Investors section.

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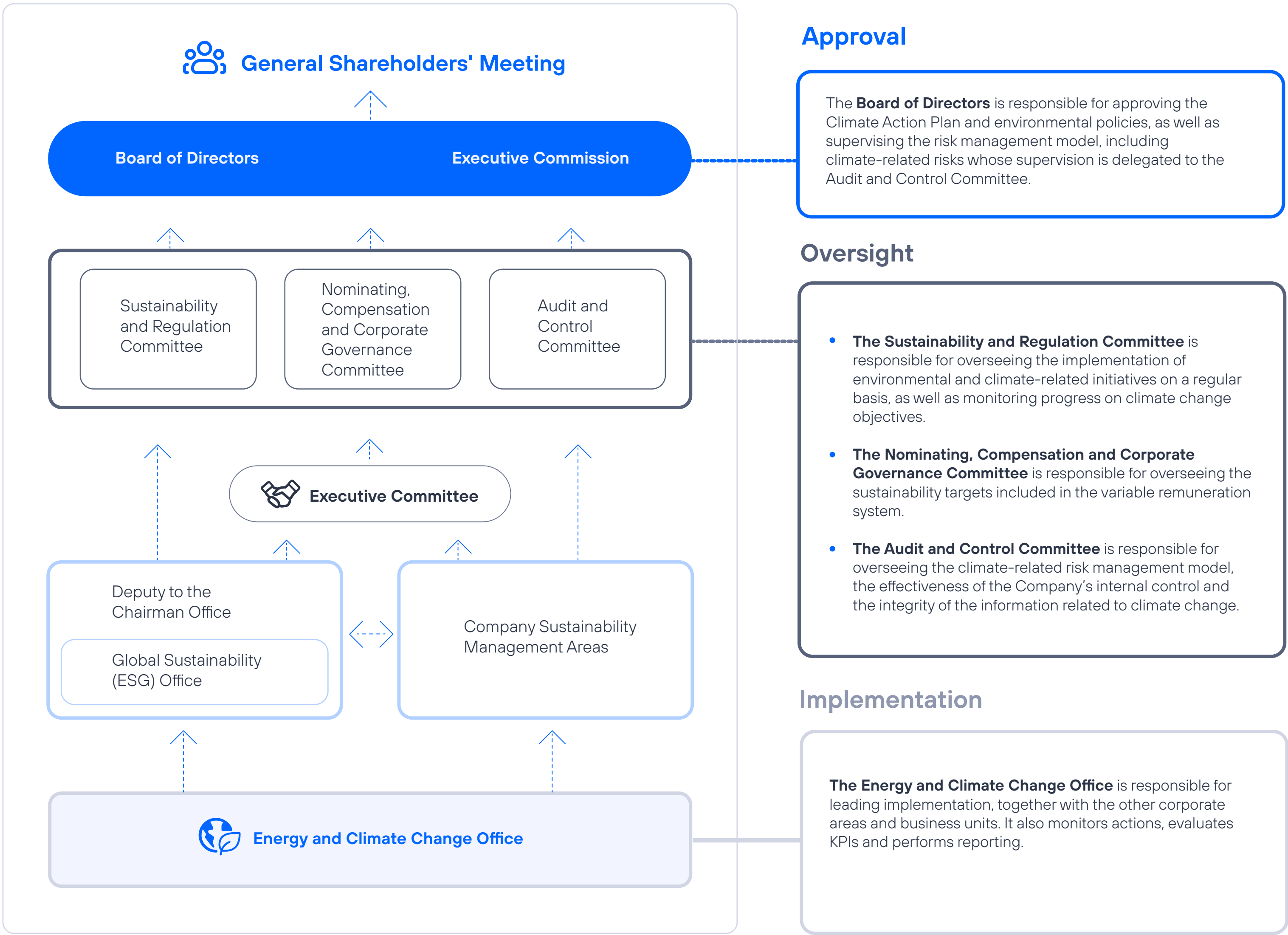
Telefónica provides a contact point through the [» Responsible Business Queries Channel](#), accessible to all its stakeholders, enabling them to inquire about, request, inform, suggest and react to any matter related to the Responsible Business Principles, including the organisation's climate strategy. To ensure its effectiveness, the Channel features a two-way communication mechanism with stakeholders throughout the entire enquiry management process.

Likewise, supported by the General Secretariat, Investor Relations, People and Sustainability areas, the Company maintains permanent contact and dialogue with shareholders, institutional investors and proxy advisors, responding to their queries related to the Climate Action Plan and providing them with the clarifications they request.

Through the [» Shareholders Office](#), Telefónica ensures transparent, agile and fluid communication with its shareholders. The Company has a channel for dealing with shareholder requests and shares information with them on relevant issues, including the Climate Action Plan, through emails, a monthly newsletter and the "Acción Telefónica" magazine.

Currently, 20% of the Short-Term Variable Remuneration is associated with sustainability targets (ESG) aligned with the Strategic Plan. Among these is the reduction of GHG emissions, which accounts for 5% of this remuneration. Said variable remuneration and its targets are approved by Telefónica's Board of Directors at the beginning of each financial year.

Linking variable compensation to the achievement of emission reduction targets is intended to reward and retain key employees who can implement the strategic levers defined in the Climate Action Plan and contribute to achieving Telefónica's long-term climate-related targets.





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Policies

Telefónica has a variety of internal norms that serve as a common reference framework for all the companies of the Group. The Company is guided by the Global Environment and Energy Policy and the Global Supply Chain Sustainability Policy (which includes the Supplier Code of Conduct) in improving its environmental and energy performance and achieving its climate change targets.

These policies are implemented through both the environmental (ISO 14001) and the energy (ISO 50001) management systems that the Company applies across its operations. These systems not only ensure legal compliance but are also associated to annual environmental and energy audits for monitoring. In addition, they enable the identification of opportunities within the framework of continuous improvement.

The Telefónica Group also has Artificial Intelligence (AI) Principles, which seek to adopt a reliable, human-centric AI and ensure the highest level of protection for people’s health, safety and fundamental rights, as well as the environment. These Principles include an explicit commitment to caring for the environment, seeking to minimise the environmental impact of our AI systems.



[View policy >](#)

Global Environment and Energy Policy

establishes commitments, at both global and local levels, to protect the environment and drive the transition towards a decarbonised Company. It covers aspects related to climate change mitigation and adaptation and incorporates physical and transition risks into decision-making. Furthermore, it envisages continuous improvement of energy efficiency, increased use of renewable energy, the adoption of internal carbon pricing, and proactive engagement with suppliers to reduce scope 3 emissions (supply chain and customer equipment). It also defines objectives relating to the management of impacts, risks and opportunities arising from climate change, as well as the promotion of the development of digital solutions to address other environmental challenges.



[View policy >](#)

Global Supply Chain Sustainability Policy

establishes, through the Supplier Code of Conduct, minimum sustainability criteria, which encompass environmental issues, including climate change, with the aim of promoting emissions reductions in the supply chain.



[View policy >](#)

Telefónica Artificial Intelligence (AI) Principles

these lay out the code of conduct for AI at Telefónica and encourage the use of specific tools to measure and mitigate the environmental impact stemming from the development and operation of AI systems.



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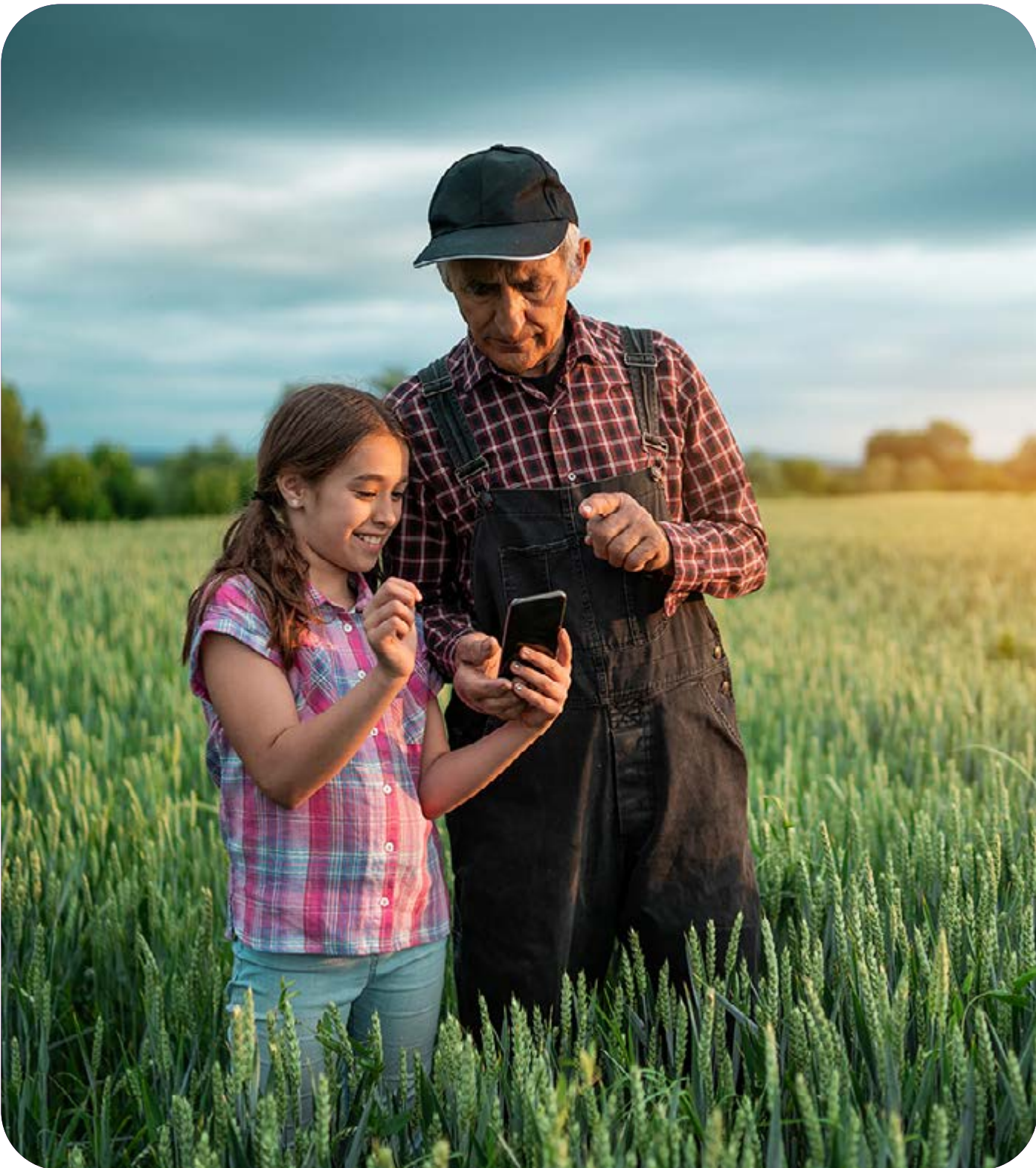
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Just transition

International standards, such as UNHCR and the ILO, define a just transition as “the **transition towards a human rights-based economy** that is fair, equitable, inclusive and sustainable, that creates opportunities for decent work, reduces inequalities and poverty and respects the human rights of workers and affected communities, in particular Indigenous peoples and those impacted by environmental degradation and the measures taken to address it”.

Telefónica’s transition to a low-carbon economy will require some changes to its business model, which may have social impacts on workers (both within the company and across its value chain) and local communities, as well as environmental impacts on the ecosystems where it operates and on which it relies.

In particular, the following outlines some of the potential social and environmental implications of the Company’s transition to a climate-neutral economy:

- Potential negative social and economic impacts for workers involved in the production or maintenance of high-carbon assets (such as stationary diesel generators or fossil fuel-powered vehicles). Lower market demand for these assets may lead to job losses and, consequently, loss of income.
- Potential disadvantage for SME suppliers, who may not have the necessary capabilities to actively participate in the disclosure of their climate information, nor have reduction targets aligned with Telefónica’s climate ambition.

- Potential negative social impacts due to increased demand for critical raw materials to produce renewable technologies (solar panels or batteries), which, in certain areas, poses a risk to the protection of human rights.

Telefónica has a **due diligence process**⁵³ in place to identify, prevent, mitigate and remedy any potential impacts that may arise from the Company’s business activities. This process is based on the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, in addition to other international agreements and current regulations on human rights.

This process is essential to ensure a just transition that takes into consideration the impact on the well-being of society as we move towards a decarbonised economy.

This includes, among other things, supporting Telefónica employees through reskilling and upskilling initiatives that enable them to adapt to new business needs; promoting digital inclusion, particularly for vulnerable groups; furthering access to the services offered by connectivity; or continuing engagement initiatives with suppliers/partners integral to the transition process in order to promote workers’ rights across the value chain. This ensures that no one is left behind on the journey to net zero emissions.

⁵³ More information on Telefónica’s due diligence is available on the website: <https://www.telefonica.com/en/sustainability-innovation/society/human-rights/>



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Internal engagement actions and training

Building an organisational culture in the field of sustainability and climate action requires ensuring all employees receive training. For this reason, Telefónica continuously delivers strategic training programmes aligned with its purpose and the Responsible Business Principles. These initiatives are complemented by internal communication campaigns and awareness-raising events focused on key issues for the Company, such as integrating environmental and climate change criteria into the design of products and services. With these efforts, Telefónica aims to promote an understanding and to encourage the adoption of sustainable practices in relation to climate change.

 **> Training for the Board of Directors:** Telefónica holds ongoing training sessions for the Board of Directors on matters related to sustainability.

 **> Sharing experiences:** Telefónica organises internal virtual sessions, to exchange best practices of operators located in different countries on topics such as energy efficiency and climate change. The aim of these events is to highlight these best practices and raise awareness about reducing energy consumption and associated emissions, enabling these actions to be replicated throughout the Group.

 **> Global Energy and Climate Change Workshop:** this event, held annually since 2009, serves as the meeting point for the Company's energy transformation leaders and key partner companies in the field. During the workshop, the latest energy efficiency and renewable energy initiatives are presented and shared, and new climate change challenges are set jointly across different areas of the Company.

 **> Energy and Climate Change Awards:** these awards recognise the work of Telefónica teams each year in achieving targets related to reducing the carbon footprint reduction and fostering an environmentally responsible digitalisation.

Telefónica hosts the **ESG Academy**, a global platform with training programmes related to the three aspects that guarantee the reskilling of its employees. This allows them to deepen their knowledge in this area and enables them to promote a culture of sustainability within the Company, thus acquiring the necessary skills to adapt to new technologies and market demands.

Reporting and transparency

The Company reports annually in accordance with regulatory requirements such as CSRD and adheres to other reporting frameworks that include environmental indicators and which are the most widely accepted in our sector, such as TCFD.

In addition, Telefónica maintains an active dialogue with its main sustainability analysts, such as the CDP. For more information on this subject, please visit Telefónica's website for the most up-to-date [» ratings & rankings ESG](#) in which it participates.

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Advocacy and strategic partnerships

Political advocacy or climate advocacy is part of Telefónica’s commitment to society. It collaborates with peers across the ICT (Information and Communication Technologies) sector, leveraging their role in climate change mitigation and adaptation and advocating for the adoption of robust climate policies aligned with the Paris Agreement. The main aim of Telefónica’s advocacy strategy is to place green digitalisation as a priority within the political agenda for climate change and environmental sustainability.

Advocacy actions include engagement in sectoral working groups and professional associations, investment and collaboration in research initiatives and active involvement in the standardisation of ICT and climate change activities, aligned with the 1.5°C emissions reduction pathway (Paris Agreement).

Should stances arise within the industry that diverge from Telefónica’s vision and approach, the Company seeks alignment through constructive dialogue within the framework of sector associations and alliances. Where substantial differences persist, the Company expresses its disagreement with that position, either internally or publicly, to clarify its stance. In exceptional cases, it may consider withdrawing from the association.

Participation in sectoral working groups on climate change

Knowing that collective work can help align all companies with the Paris Agreement’s goals, Telefónica shares best practices and actively collaborates with other associations in the telecommunications sector such as Connect Europe, the GSMA and the JAC, to define the quantification of scope 3 emissions, establish ambitious reduction targets and drive climate action in the supply chain. In all of them, Telefónica maintains active participation and a constructive voice, working to position **digitalisation as a key ally of the green transition**.



It is an organisation of over 800 mobile operators and 200 related companies, dedicated to supporting the standardisation, implementation and promotion of the mobile telephony system. Telefónica participates in working groups related to climate action, the circular economy and biodiversity.


Aligned with the Paris Agreement



Association of Spanish companies that promotes public-private collaboration to address environmental challenges such as climate change, circular economy and energy efficiency.


Aligned with the Paris Agreement



Global sector-wide initiative by telecommunications operators that have joined forces to verify, assess and develop the implementation of sustainability standards in common suppliers, as well as to drive climate action in the supply chain as a telecommunications sector.


Aligned with the Paris Agreement



The International Telecommunication Union is the United Nations specialised agency for Information and Communication Technologies (ICT).

The ITU's work, in the "ITU-T SG5" study group aims, among other things, to promote a sustainable and resilient telecommunications sector, contributing to climate action and the circular economy. It sets out recommendations to improve the energy and environmental efficiency of digital infrastructure and facilitate the transition to net zero. It also promotes the use of ICT as a lever for climate adaptation, biodiversity conservation and e-waste management within a circular economy approach.


Aligned with the Paris Agreement



Connect Europe, the European Telecommunications Network Operators Association, which has encompassed the main telecommunications operators in Europe since 1992, has become the main political group for European electronic communications network operators. Telefónica leads the Sustainability and Sustainable Finance working groups, which analyse how new regulations on environmental standards, energy efficiency, circular economy and sustainable finance affect the telecommunications sector and try to position it as a key element in facilitating the decarbonisation of other sectors of the economy.


Aligned with the Paris Agreement

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Other initiatives and partnerships

Aware of its responsibility to promote a global movement for tackling climate change and recognising the need for collective action to accelerate the transition to a sustainable economy, Telefónica is also participating in the following initiatives:



	The initiative is an urgent call to action for companies to set science-based net-zero aligned emissions reductions targets .		Coalition catalysing political and business action to halve global emissions by 2030 , in line with the 1.5°C pathway.
	A global initiative that brings together the world's most influential companies advocating for 100% renewable electricity .		
	Cross-sectoral community of companies and organisations, working to address the climate crisis and decarbonisation challenges .		World Economic Forum's "1 Billion Trees initiative" , which aims to accelerate nature-based solutions . Telefónica has committed to conserve and plant 1.5 million trees by 2030 to restore and conserve forest ecosystems.
	Initiative that aims to support the supply chain , especially SMEs, in halving their emissions by 2030 and achieving net-zero emissions by 2050.		An initiative of the World Federation of Advertisers (WFA). It aims to help companies' marketing and communications teams to be part of the solution to climate change.
	"Race to Zero" is a global UN campaign that brings together the world's largest coalition of non-state actors to implement rigorous and immediate action to halve global emissions by 2030 and achieve a healthier and fairer world with net-zero emissions.		Telefónica is collaborating in this initiative to promote the creation of industrywide measurement standards, participating in initiatives such as the PNAV and working with UNE to define a standard for measuring green algorithms .



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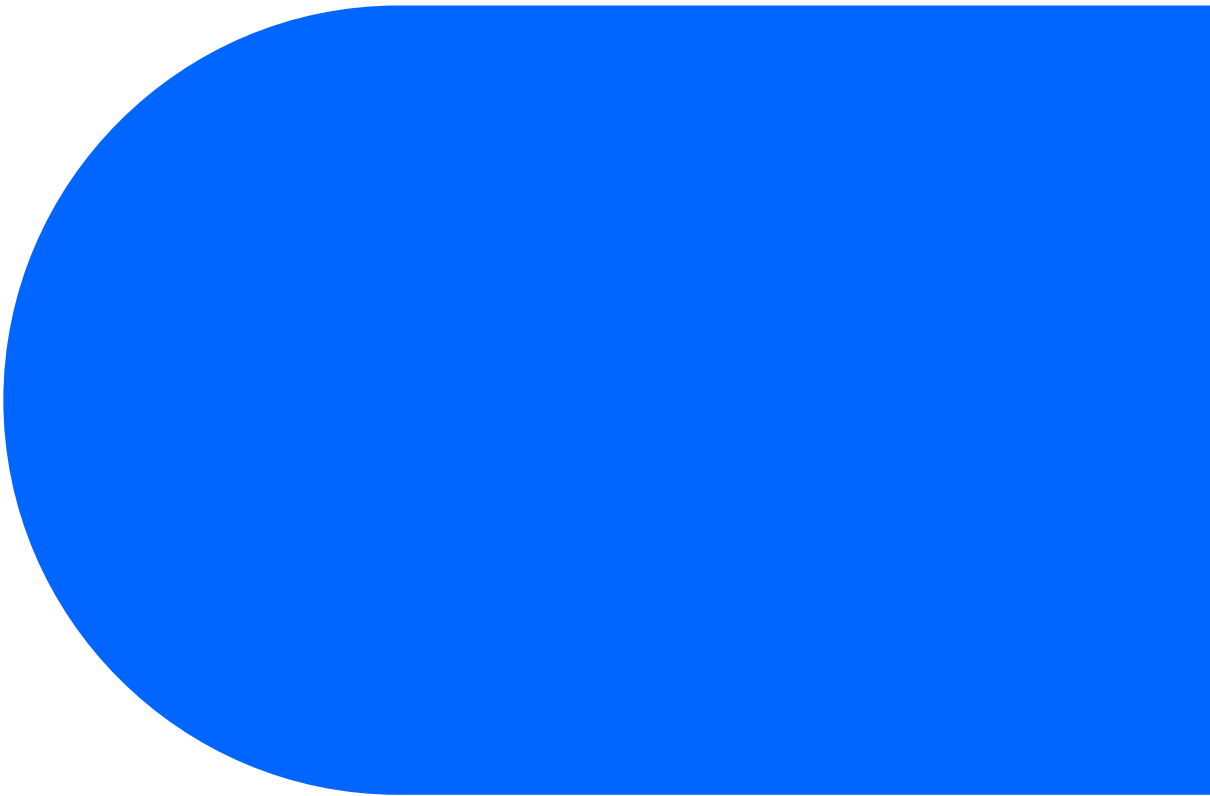
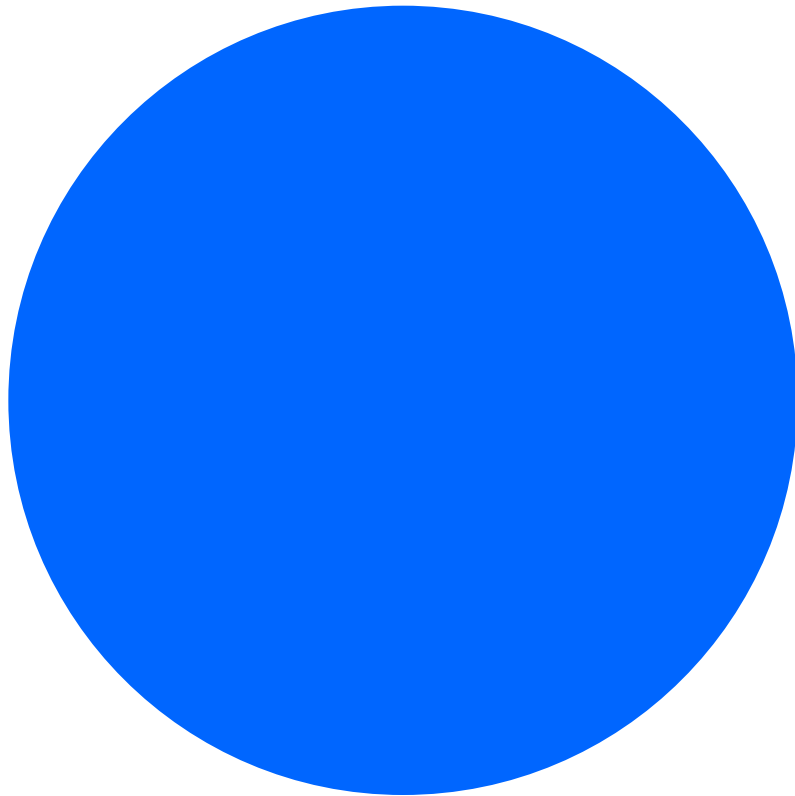
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Acronyms

AI: Artificial Intelligence	ISSB: International Sustainability Standards Board
ARR: Afforestation, Reforestation, Revegetation	ITU: International Telecommunication Union
B2B: Business to Business	JAC: Joint Alliance for CSR
B2C: Business to Consumer	KPI: Key Performance Indicator
BVCM: Beyond Value Chain Mitigation	LCA: Life Cycle Assessment
CapEx: Capital expenditure	NGFS: Network for Greening the Financial System
CDP: Carbon Disclosure Project	OpEx: Operating expenses
CNMV: Spanish National Securities Market Commission	PPA: Long-term Power Purchase Agreements
CO₂: Carbon dioxide	PUE: Power Usage Effectiveness
COP: Conference of the Parties	RCP: Representative Concentration Pathway
CSDDD: Corporate Sustainability Due Diligence Directive	REC: Renewable Energy Certificates
CSRD: Corporate Sustainability Reporting Directive	REDD+: Reducing Emissions from Deforestation and forest Degradation
ESG: Environmental, Social and Governance	SAF: Sustainable Aviation Fuel
FSC: Forest Stewardship Council	SBTi: Science Based Targets initiative
GHG: Greenhouse Gases	SDGs: Sustainable Development Goals
GWP: Global Warming Potential	SMEs: Small and medium-sized enterprises
ICT: Information and Communication Technologies	TCFD: Task Force on Climate-Related Financial Disclosures
ICVCM: Integrity Council for the Voluntary Carbon Market	TCO: Total Cost of Ownership
IFRS: International Financial Reporting Standards	UNHCR: United Nations High Commissioner for Refugees
ILO: International Labour Organization	VCMI: Voluntary Carbon Markets Integrity Initiative
IoT: Internet of Things	WBCSD: World Business Council for Sustainable Development
IPCC: Intergovernmental Panel on Climate Change	WRI: World Resources Institute

