

Sustainable Bond from Telefónica

FACT SHEET



Use of Proceeds

- **Proceeds to be allocated towards eligible investments:** mainly **Energy Efficiency** in the network transformation from copper to fibre optic, 5G deployment and also **Inclusive Connectivity** accelerating deployment of broadband in unconnected or underserved rural areas and supporting **Employment Generation** and **Entrepreneurship**.
- **Investments for Green Projects** consist in shutting down legacy units, upgrading the network infrastructure and placement optimisation.
- **Investments for Social Projects** encompass the deployment or optimization of broadband connectivity in unconnected or underserved rural areas; and support the entrepreneurship ecosystem in regions where unemployment is a major issue.
- Eligible investments refer to **new investments** made after issuance **as well as** any **investments made 2 years prior to issuance**.

Impact of Green Projects

- New **fibre optic and 5G infrastructure**, as part of the networks transformation, as well as **renewable energy**, are key contributors to Telefonica's emissions reduction target to **reduce scopes 1+2 GHG emissions by 90% in absolute terms in 2025 in our 3 main markets**.
- Telefonica has global **targets** on energy and climate change **aligned with the 1.5° scenario** (validated by **Science Based Target Initiative**¹) and the electricity it consumes in its main markets is already **100% renewable**.
- **Migrating clients to fibre optic reduces environmental impact of networks by reducing energy consumption** (85% more efficient per customer); as well as reducing the need for cooling systems; reducing the need for buildings by 50%; and reducing the overall maintenance needs of the networks – all of which result in GHG emissions reductions. The impact of network transformation projects related to issued green and sustainable bonds can be found at <https://www.telefonica.com/en/shareholders-investors/rating/sdg-framework/>
- **5G technology** is expected to represent an unprecedented, disruptive, technological change in many different economic sectors and in society over the next decade. It is up to 90% more energy efficient than 4G² in terms of energy consumption per traffic unit and has much more capacity, so it will be able to provide increased services with a lower energy consumption than 4G.
- Fiber optic, 5G infrastructure and renewable energy, contribute to achievement of the UN Sustainable Development Goals:



7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

7.3 By 2030, double the global rate of improvement in energy efficiency

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

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Impact of Social Projects

- Many international reports ⁽³⁾ confirm the **relation between internet connectivity and economic development, highlighting its importance for economic growth.** Furthermore, the Sustainable Development Goals (SDG) stress the value of connectivity and ICT⁽⁴⁾ solutions. As an example, GeSI (Global e-Sustainability Initiative) has indicated that **digital access and mobile penetration could contribute to more than 65% of UN SDGs.**
- The **benefits are even greater for unconnected or underserved rural areas.** Telefonica has been committed to deploying and optimizing new broadband services in rural areas both in Latin America and Europe. Overcoming bandwidth inequality ensures a minimum download speed so that citizens are not excluded from services due to technical limitations.
- As for the support of the entrepreneurship ecosystem, it is important to note that **SMEs⁽⁵⁾ represent a significant socio-economic component in most developing countries, contributing up to 60% of total employment and up to 40% of national income (GDP)⁽⁶⁾.** Telefónica has been supporting start-ups and SMEs through its open innovation accelerator initiative (Wayra) and its Venture Capital vehicles, which have already promoted the development of more than 500 startups and SMEs globally.
- Deployment/optimization of broadband connectivity in rural areas as well as the support of the entrepreneurship ecosystem in regions where unemployment is a major issue contribute to the achievement of the **UN Sustainable Development Goals:**



8.3: By 2030, encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

9.1: By 2030, develop quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being.

9.c: By 2030, significantly increase access to information and communications technology.

Annual Reporting

- Telefonica will provide impact reporting, at the level of each Green eligible category, which may include the following metrics:
 - ✓ energy consumption per data traffic (MWh/PB)
 - ✓ energy saved (in MWh)
 - ✓ estimated GHG Emissions avoided (tCO₂eq)
- Telefonica will provide impact reporting, at the level of each Social eligible category, which may include the following metrics:
 - ✓ population covered with broadband networks in unconnected or underserved rural areas
 - ✓ number of entrepreneurs / start-ups / SMEs supported or funded
 - ✓ estimated number of jobs created
- Reporting will be made publicly available in our website annually until the proceeds have been fully allocated . The report will be audited by Pw