

Telefónica's Commitment

Net Zero Emissions

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Net Zero at Telefonica

Current Context

Climate change is one of the most pressing challenges our society is currently facing. Science indicates that the next 10 years will constitute the most decisive decade as regards being able to achieve the reduction in emissions required to be able to avoid the worst impacts of climate change. The world must cut its emissions very significantly in order to meet the targets set in the Paris Agreement and limit the increase in average temperature to below 2 degrees Celsius above pre-industrial levels.

At Telefonica we are committed to a world where technology helps to protect the planet and contributes to resolving the climate crisis. We firmly believe that digitalisation is a key driver of the decarbonisation of the economy. Indeed, the World Economic Forum estimates that digitalisation is the key to reducing up to 15% of the planet's emissions¹.

Telefonica has spent over a decade helping to build a more sustainable society and is a pioneering company in energy and digital transition. In order to align its strategy with the latest climate-related science, Telefonica has made its reduction targets more ambitious, with the goal of successfully reducing greenhouse gas (GHG) emissions by 90%² and achieving net zero in its operations in its main markets by 2025 (Scope 1 and Scope 2).

However, a company such as ours needs us to examine not only our operations but also our entire value chain. Telefonica has therefore undertaken to reduce its Scope 3 emissions in line with the 1.5°C scenario, which translates into an absolute reduction of emissions of 39% by 2025. This ambition culminates in 2040, the year in which we are committed to becoming net zero in our entire value chain.

Although action by governments and regulators is necessary to define clear and fair rules, the business sector plays a key role when influencing more players to join forces on this path towards decarbonisation. It is only by implementing tangible and ambitious measures that we can convince others to become committed. And only together can we make a positive difference.

¹ <https://www.weforum.org/agenda/2019/01/why-digitalization-is-the-key-to-exponential-climate-action/>

² 70% including HISPAM

Definition of Net Zero at Telefónica

The Science-Based Targets initiative (SBTi)³ has defined this concept as achieving a balance between the amount of emissions released by a company and those it removes or eliminates from the atmosphere.

In order to become net zero, according to the SBTi, two things are required:

- **Eliminating or reducing as far as possible** greenhouse gas emissions, in line with the 1.5°C scenario of the Paris Agreement.
- **Neutralising** remaining emissions through **capturing or permanently absorbing** an equivalent amount of CO₂ from the atmosphere through carbon credits.

At Telefónica we subscribe to this definition and we are committed to reducing the emissions of our entire value chain in line with the 1.5°C scenario of the Paris Agreement and to neutralising the remainder through purchasing CO₂ absorption carbon credits, preferably through nature-based solutions.

Further to our impact and that of our value chain, at Telefónica we are committed to achieving net-zero emissions globally.

To this end, we have defined our climate strategy based on a *Climate Positive* focus, through which we will undertake gradual compensation of our emissions as from 2020, by investing in projects which contribute to reducing global emissions at Telefónica Brazil.

How will we achieve it?

The Net Zero strategy of Telefónica is based on two fundamental pillars: a reduction in the emissions of the value chain in line with the 1.5°C scenario of the Paris Agreement and its neutralisation through absorption projects, preferably through nature-based solutions.

For this purpose, Telefónica has a global decarbonisation strategy, deployed by region, which encompasses specific actions and milestones.

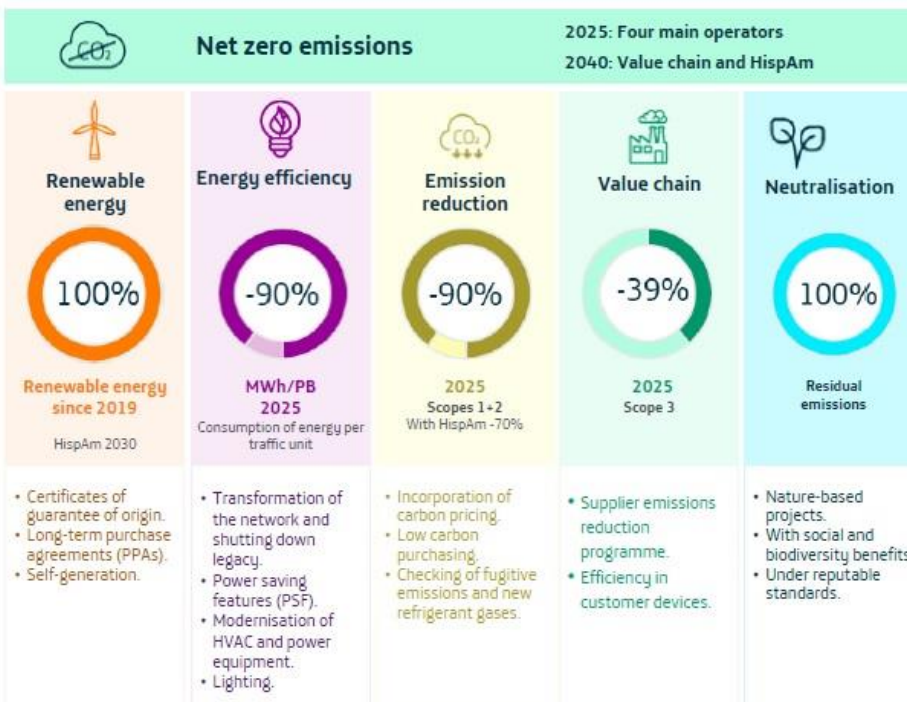
³ Foundations for net zero, Executive Summary, SBTi, 2020. Available [here](#)

Energy and climate change targets

Beyond the Paris Agreement

Journey to Net Zero

We reduce our emissions in line with the 1.5°C scenario and we neutralise the rest until we achieve Net Zero.



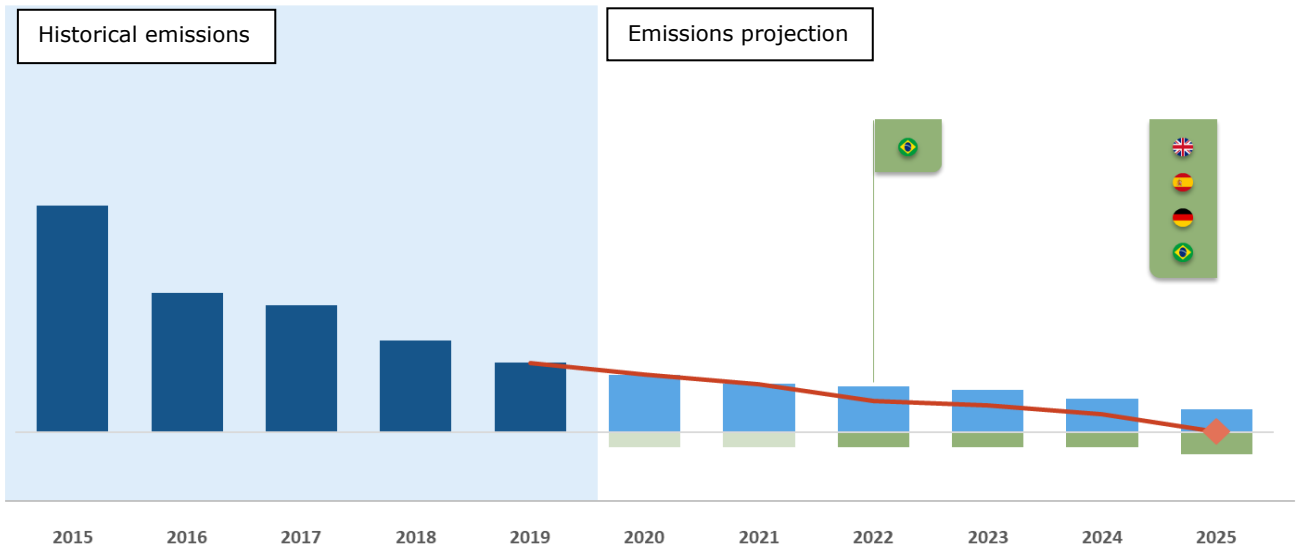
Reduction in line with the 1.5°C scenario

Reduction of our Scope 1 and 2 emissions

Reducing GHG emissions will be our priority. Telefónica has the ambitious goal of reducing its Scope 1 and 2 emissions by 90% in absolute terms in 2025 for its four main markets (baseline year 2015). This goal, beyond the 1.5°C scenario of the Paris Agreement, has been validated by the Science Based Target initiative (SBTi). Meeting these targets forms part of the variable remuneration of all Telefónica's employees, including the Executive Committee.

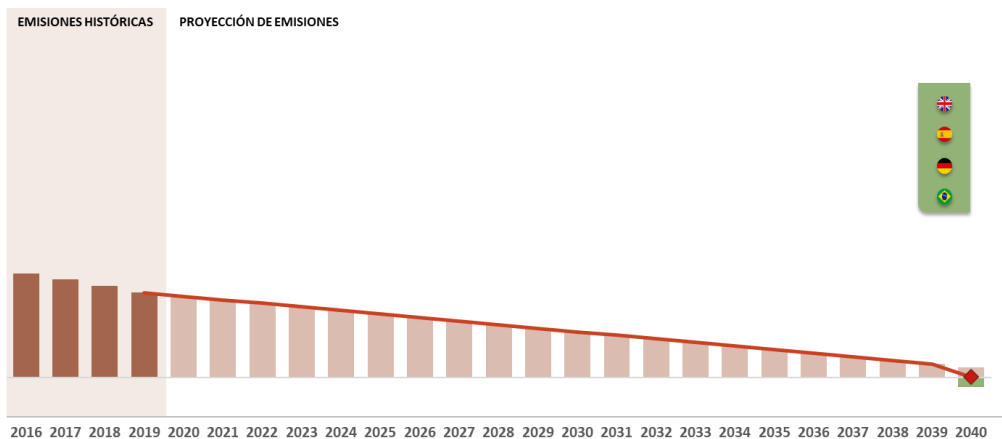
These targets help us to leverage decarbonisation opportunities, to be more competitive and to offer our customers an ever-cleaner network.

SCOPE 1+2 EMISSIONS



We reduce our carbon emissions whilst reducing operating costs through energy efficiency and the use of renewable energy. The deployment of renewable energy in our operations has been critical in order to progress on the path towards reduction defined by science, and we will continue working in this direction to achieve 100% RE in 2030.

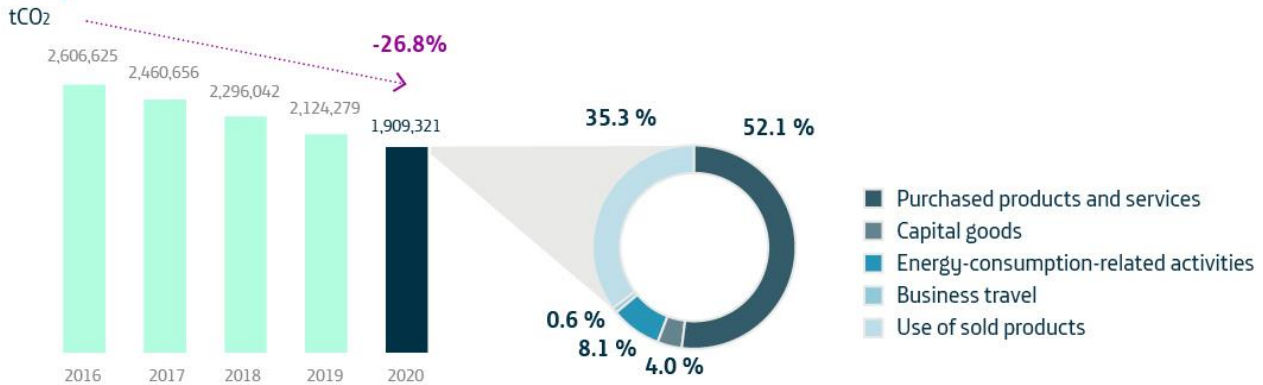
Reduction of our Scope 3 emissions



A very significant percentage of our total impact comes from our value chain. Telefónica has therefore made its Scope 3 target more ambitious in order to bring it into line with the 1.5°C scenario of the Paris Agreement, committing to a 39% reduction for its total Scope 3 emissions by 2025, achieving net zero in 2040.

In the value chain, the main sources of Scope 3 emissions come from the categories related to our supply chain and from the use of products and services we sell to our customers.

Scope 3 emissions



One of the main focuses of the Scope 3 emission reduction strategy consists therefore of Telefónica collaborating with its key suppliers through a climate change programme. The programme aims to compile information from our suppliers in order to understand the maturity level of their climate strategies and help them set more ambitious emission-reduction targets. As part of the programme launched in 2019, learning and training sessions have been conducted, inspiring suppliers to take action and fostering innovation and the exchanging of experiences.

Support for nature-based solutions and carbon absorption solutions to achieve Net Zero emissions

Solutions

In accordance with the Special Report from the IPCC⁴, eliminating greenhouse gases from the atmosphere is a critical factor in succeeding in limiting global warming to 1.5°C above pre-industrial temperatures. When combined with significant emission reductions, the projects and technologies that eliminate carbon from the atmosphere represent a key driver of decarbonization. The experts agree, furthermore, that the best vaccine to face this climate crisis is through supporting prevention and nature and biodiversity conservation projects.

In view of this need, Telefónica will finance projects which eliminate carbon from the atmosphere through purchasing carbon credits for an amount equivalent to the emissions which have not been able to be reduced. Additionally, Telefónica will prioritise projects which provide nature-based solutions.

⁴ www.ipcc.ch/sr15

Nature-based solutions are measures which physically eliminate CO₂ from the atmosphere. They are the most important methods for eliminating carbon we currently have. These solutions, in addition to eliminating greenhouse gas emissions, help us to adapt to the impact of climate change and offer us a broad range of collateral benefits. Although planting trees is one of the most well-known methods, they also include mangroves, peat bogs, marshes and coral reefs, solutions known as blue carbon solutions.

Criteria for selecting projects

When selecting the project to be funded, we consider a series of criteria which include:

- Carbon sequestration projects, preferably using nature-based solutions
- Demonstration of additionality
- Demonstration of permanent impact
- Alignment with social and environmental co-benefits, in line with the Sustainable Development Goals contributed to by Telefónica
- Use of recognised standards
- Verification by an accredited third party
- Territorial anchorage with regard to the geographical regions in which Telefónica is present.

Glossary

What are carbon credits?

These are certificates that guarantee that one tonne of CO₂ has been absorbed, from projects certified by trustworthy standards. This encourages the conservation and improvement of ecosystems, reforestation and forest recovery, which achieve the necessary funding thanks to selling these credits. In addition, these projects have other added values such as conservation of biodiversity, relations with local communities and the promoting of local jobs.

What does carbon neutral mean and how is it different to net zero emissions?

Carbon neutral does not strictly imply a reduction in emissions, whereas to reach zero net emissions their gradual reduction must be defined in accordance with the 1.5°C scenario of the Paris Agreement. In addition, the carbon credits used are different. To be carbon neutral, credits which avoid emissions are valid: they offset emissions, for example through **renewable energy** projects in developing countries; however, net zero requires the CO₂ to be absorbed from the atmosphere, that is, neutralised. The best example of this is the planting of forests that capture CO₂ and store it as wood.

What are the "Scopes"?

The carbon footprint generated by a company includes the emissions generated through its activity, whether these are direct (Scope 1) or indirect (Scope 2 and 3) emissions. Thus, at a company like **Telefónica**, Scope 1 emissions come from the consumption of fossil fuels and fugitive emissions of refrigerant gases. Scope 2 emissions are those deriving from generating the electrical power it consumes and Scope 3 emissions derive from the value chain, from the sale of goods and services to the use of products and business trips. In the net-zero target for 2025, we include Scope 1 and 2 emissions from our four main markets. We will achieve total net zero emissions (with the entire Group and the value chain) in 2040 at the latest.

What are nature-based solutions?

The European Commission defines nature-based solutions as “*Solutions that are inspired and supported by nature, which are cost-effective, simultaneously provide environmental, social and economic benefits and help build resilience*”. According to the United Nations Environment Programme (UNEP), over one third of the reductions in GHG emissions required by 2030 to achieve the Net-Zero target of the Paris Agreement can be achieved through these solutions.

What is blue carbon?

Among the nature-based solutions, coastal ecosystems such as mangroves, tidal marshes and seagrass meadows (Posidonia, for example) have exceptional capacities for carbon absorption.

Mangroves, for example, store between three and five times more carbon per hectare than terrestrial forests. A 2009 report from the UNEP first described the carbon present in coastal ecosystems as “blue carbon”, carbon which is captured and stored in tidal marshes, peat bogs, seagrass and mangroves.