

Greening digital companies 2023

Monitoring emissions and climate commitments

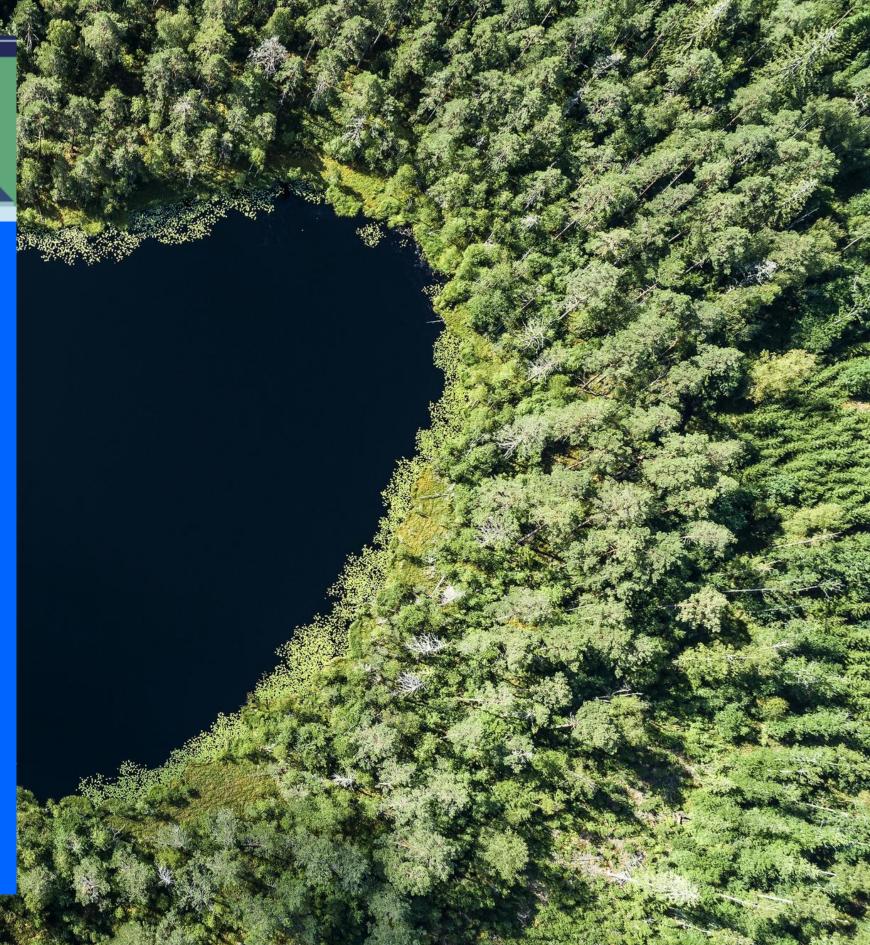




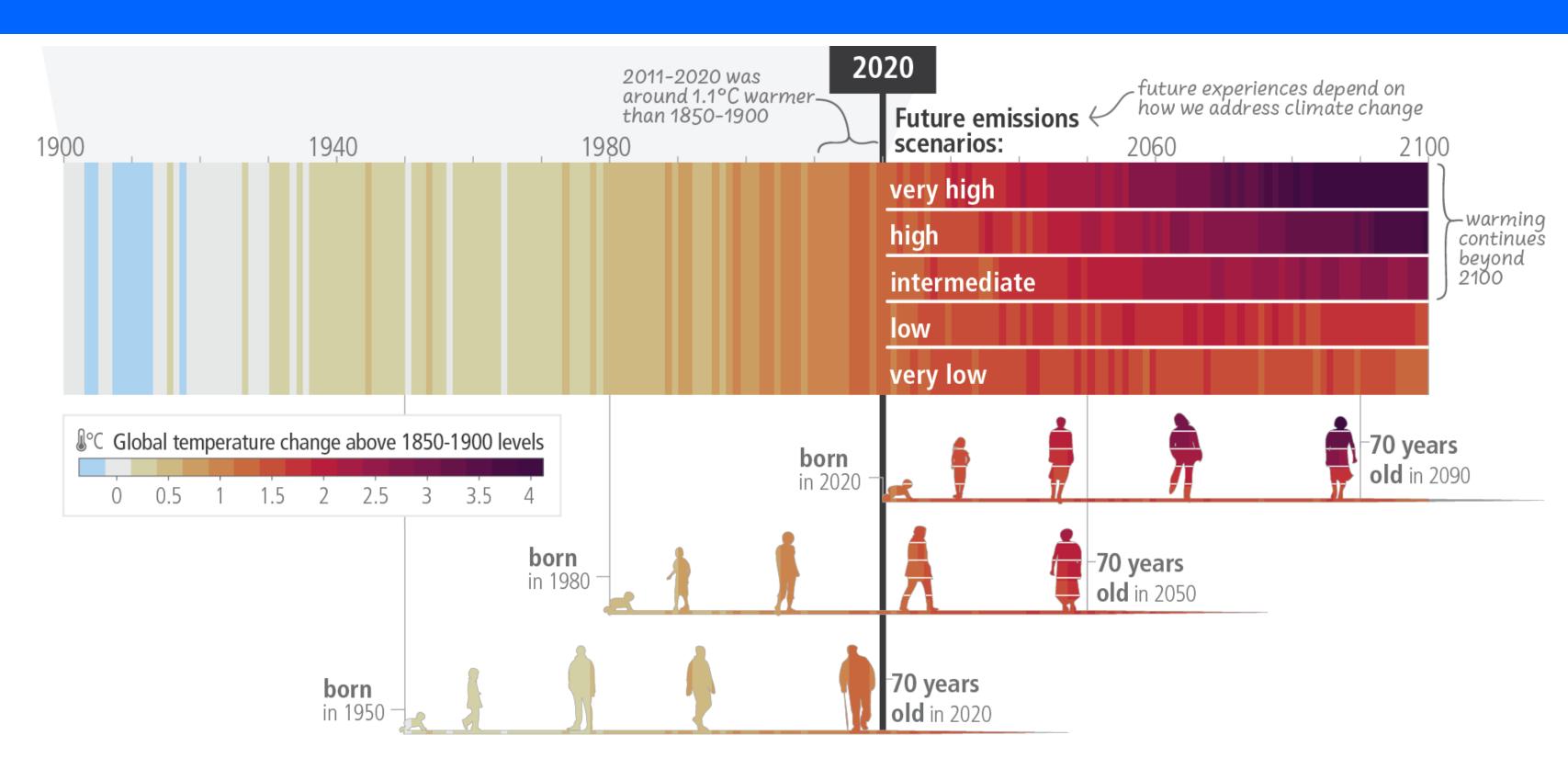
# Telefónica's journey to Net Zero

Greening Digital Companies 2023

02/10/2023



# Future experiences depend on how we address climate change now!



### Our decarbonisation



2040

Long-term target

Achieve **net zero emissions**, for all scopes across all our operations:

- Reducing **90%** of our emissions (1+2+3)
- Neutralising our residual emissions (max. 10%)



2030

Medium-term targets

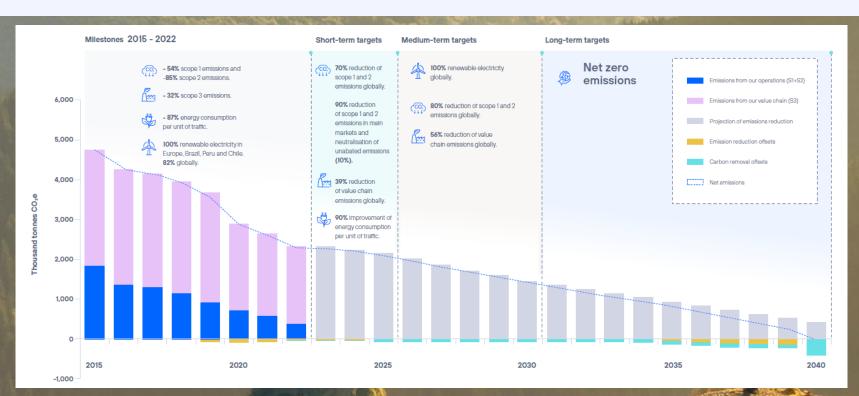
- Reduce 80% of Scope 1+2 emissions (vs. 2015)
  - a) 100% renewable electricity consumption
  - b) 90% increase in energy efficiency by 2025, compared to 2015 (MWh / PetaByte)
- Reduce 56% of Scope 3 emissions (vs. 2016)

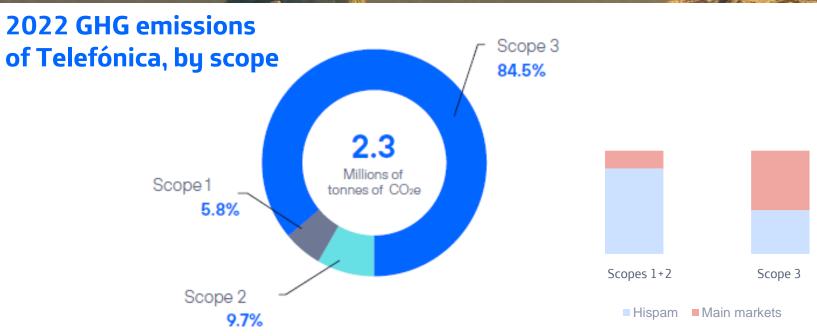


2025

Short-term target

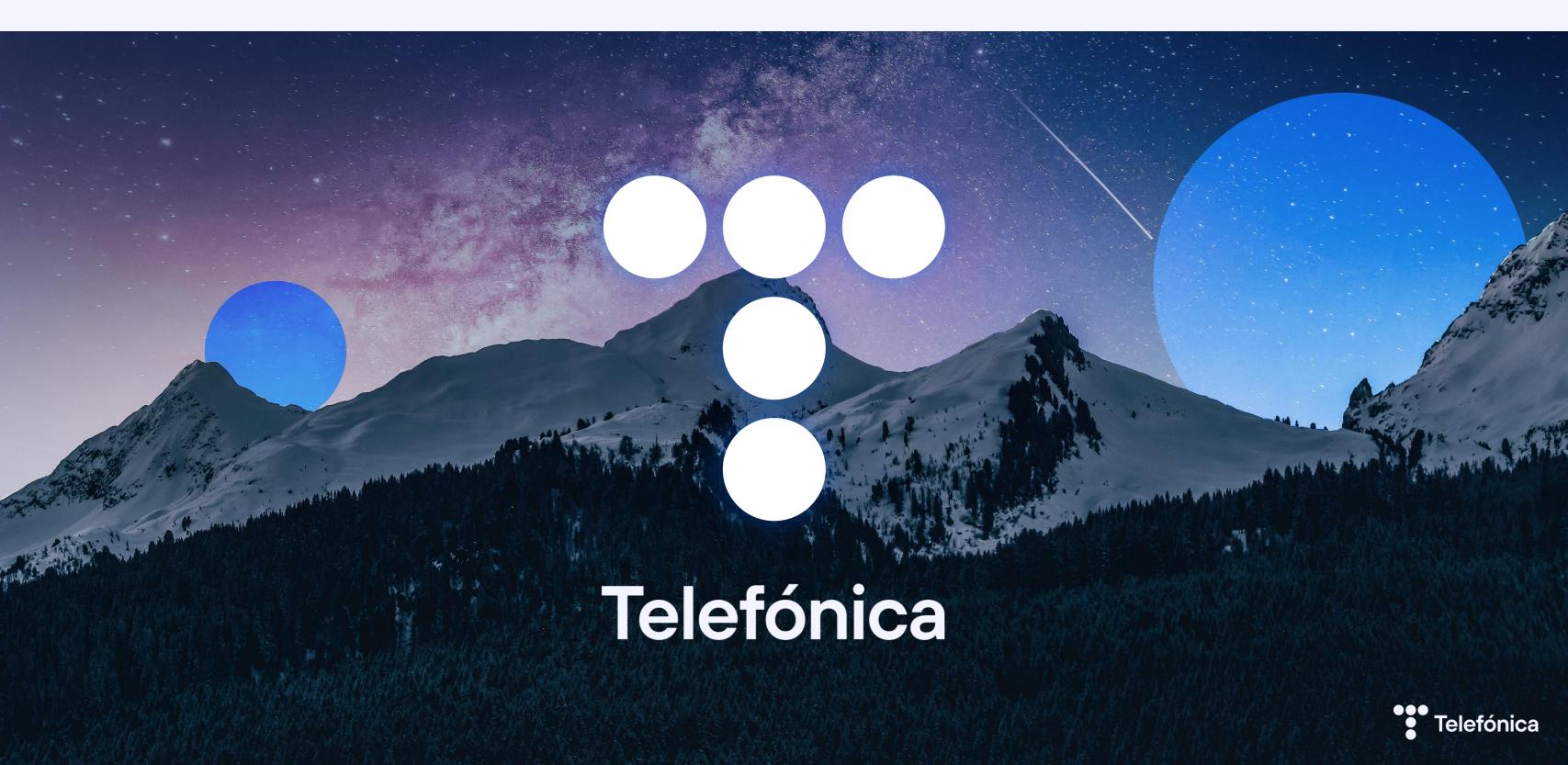
**Neutralise 100% of residual emissions** (scopes 1+2) of main markets



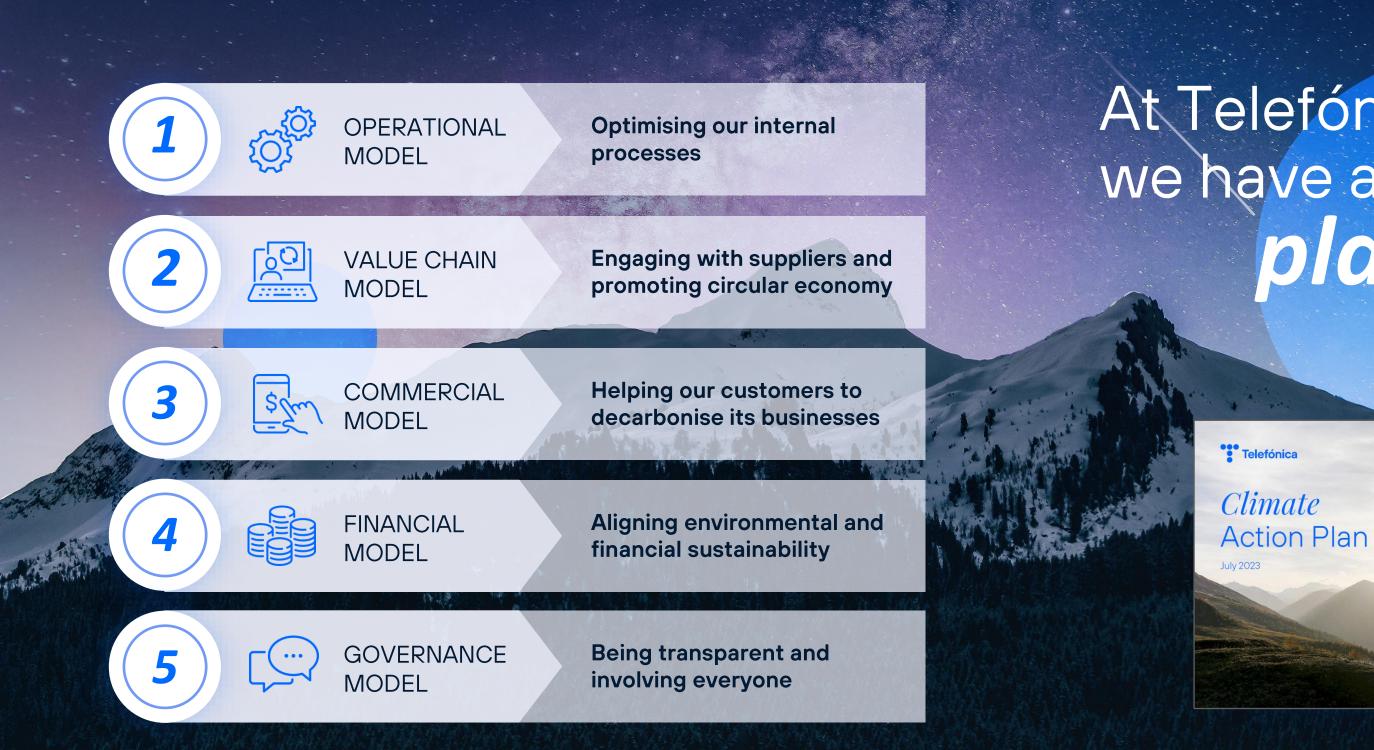


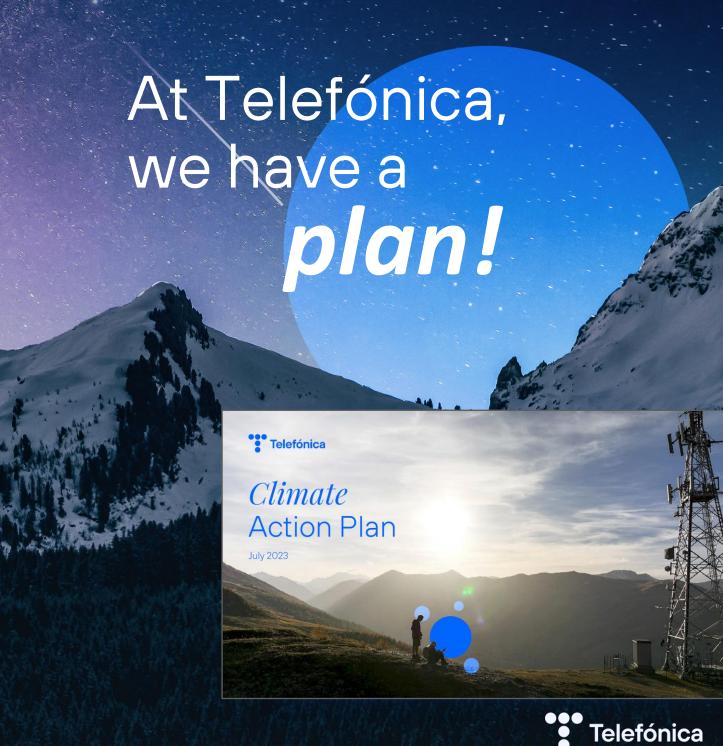


# **Net zero transformation strategy**



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# **Net zero transformation strategy**





OPERATIONAL MODEL

- Network transformation.
- Replacement of generator sets.
- Fuel substitution.
- Installation of lithium batteries.

- Fleet replacement and reduction of travelling.
- Cooling equipment, preventive maintenance, leakage control and replacement of refrigerant gases.
- Energy efficiency projects.
- Shift towards renewable energies: PPA, selfgeneration.
- Offsetting/neutralisation.



VALUE CHAIN MODEL

- Requirement to set emission reduction targets (SBTi) for strategic suppliers.
- Supplier Engagement Program.
- Joint Alliance for CSR.

- 1.5 Supply Chain Leaders
- SME Climate Hub.
- Eco Rating

- Extension of the use of materials and equipment.
- Ecodesign of products.
- Procurement with circular criteria.



COMMERCIAL MODEL

- Eco Smart services.
- Emissions avoided.
- Eco Rating.

- Buyback and refurbishment of mobile devices.
- Offsetting of emissions in the purchase of devices.
- Commitment to transparency.





FINANCIAL MODEL

- Financial analysis of climate change.
- European taxonomy of sustainable activities.
- Sustainable financing strategy (bonds&loans).
- Sustainable and responsible investment.
- Carbon pricing.





GOVERNANCE MODEL

- Defining climate chance governance mechanisms and responsibilities.
- Variable compensation aligned with the achievement of climate change targets.
- Feedback mechanism
- Climate-related internal regulations.
- Internal engagement actions related to sustainability.
- Transparent reporting.
- Participation in sector working groups, strategic partnerships and membership of international climate change initiatives.



# Our journey to net zero



OPERATIONAL MODEL



VALUE CHAIN MODEL



COMMERCIAL MODEL

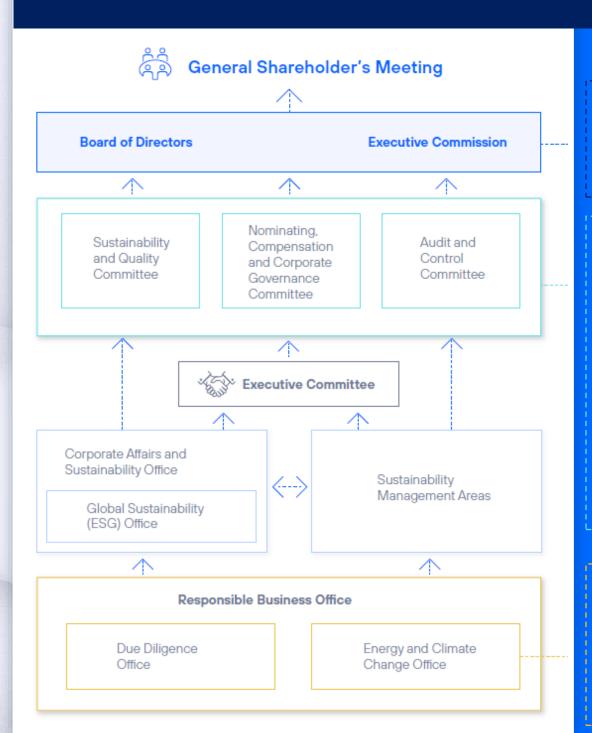


FINANCIAL MODEL



Oversight and accountability

### Governance





#### **APPROVAL**

The **Board of Directors** is responsible for approving the Climate Change Strategy, the Climate Action Plan and environmental policies.

#### **OVERSIGHT**

- ✓ The Sustainability and Quality Committee is responsible for overseeing the implementation of climate-related initiatives on a regularly basis, and for monitoring the progress of climaterelated targets.
- The **Nominating, Compensation and Corporate Governance Committee** is responsible for overseeing the sustainability
  targets included in the variable compensation system, including
  the reduction of GHG emissions.
- The Audit and Control Committee is responsible for overseeing the climate-related risk management model, the internal control and the integrity of the climate-related information.

#### **IMPLEMENTATION**

The **Energy and Climate Change Office** is responsible for the operational implementation of the Climate Change Strategy, KPls assessment, performance monitoring against targets, review of climate-related regulatory aspects and compliance with stakeholders' expectations.

# Our journey to net zero



OPERATIONAL MODEL



VALUE CHAIN MODEL



COMMERCIAL MODEL



FINANCIAL MODEL



Internal engagement

### A common Plan for all our OBs and employees



**Policies** 

✓ Internal regulations as a **common reference framework** for all the companies of the Group.





4



Energy management



Variable compensation



Internal engagement actions

- ✓ 20% of the **short-term variable compensation** of <u>all company</u> <u>employees</u>, including the Management Committee, is linked to sustainability targets, such as the reduction of GHG emissions.
- ✓ 10% of the **long-term variable compensation** of the <u>Executive</u>

  <u>Directors and other senior Directors</u> is linked to the offsetting/neutralisation of CO<sub>2</sub> emissions.
- ✓ Appropriate training programmes, internal communication campaigns and awareness-raising events to build an organisational culture in the field of climate action.
  - ESG Academy
- Global Energy and Climate Change Workshop
- **Sharing experiences Energy and Climate Change Awards**



# Our journey to net zero



OPERATIONAL MODEL



VALUE CHAIN MODEL



COMMERCIAL MODEL



FINANCIAL MODEL



Transparency and trust

### **Transparent disclosure**

 Transparent communication and reporting which results in Telefónica being recognised as a global leader fighting the climate crisis





















### Advocacy and strategic partnerships

Working to place digitalisation at the top of the climate change policy agenda

- European Green Digital Coalition (EGDC)
- SME Climate Hub
- Industry collaboration (ETNO, GSMA or JAC)
- Other initiatives and partnerships





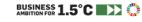
















**GSMA** 

