

# Second-Party Opinion

## Telefónica Sustainable Financing Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Telefónica Sustainable Financing Framework is aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – i) Energy Efficiency of Telefónica’s Network Infrastructure, ii) Renewable Energy, iii) Data-driven Solutions, and iv) Inclusive Connectivity – Access to Essential Services – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.



**PROJECT EVALUATION AND SELECTION** Telefónica’s internal process for evaluating and selecting projects is governed by a dedicated Sustainable Financing Committee. The committee comprises representatives from Telefónica’s Finance, Sustainability and Control departments, as well as representatives from other technical areas as needed. Telefónica has in place an internal ESG risk management system to assess and manage risks associated with eligible projects. Sustainalytics considers the risk management systems in place to be adequate and the project evaluation and selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Telefónica’s Finance, Control and Sustainability departments oversee the management of proceeds process. Telefónica intends to establish a Sustainable Financing Register to monitor and track the allocation of proceeds from green, social or sustainability instruments. Proceeds will be deposited in a general funding account and earmarked for allocation to the Sustainable Financing Register. Proceeds will be allocated within 24 months of issuance on a best-effort basis. Unallocated proceeds will be temporarily invested according to Telefónica’s internal liquidity policy. This is in line with market practice.



**REPORTING** Telefónica intends to publish allocation and impact reports on its website on an annual basis until full allocation. Allocation reporting will include a list of eligible projects financed through the Framework, including the amounts allocated, the bond proceeds allocated per eligibility category and the remaining balance of unallocated proceeds, if any. Impact reporting will include relevant impact metrics for each eligibility criterion. Sustainalytics views Telefónica’s allocation and impact reporting as aligned with market practice.



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<sup>1</sup> This document is an update to the Second-Party Opinion originally provided in January 2021.

## Introduction

Telefónica Group (“Telefónica” or the “Company”) is a multinational telecommunications company that offers connectivity, digital services and technological solutions. Established in 1924 and headquartered in Madrid, Spain, the Company has more than 103,000 employees and serves nearly 370 million customers in 12 countries across Europe and Latin America as of May 2023.

Telefónica has developed the Telefónica Sustainable Financing Framework dated July 2023 (the “Framework”), under which it intends to issue green, social and sustainability bonds, and obtain loans, and use the proceeds to finance or refinance, in whole or in part, existing and future projects that are expected to deliver positive environmental and social outcomes in Europe and Latin America. The Framework defines eligibility criteria in four categories:

1. Energy Efficiency of Telefónica’s Network Infrastructure
2. Renewable Energy
3. Data-driven Solutions
4. Inclusive Connectivity (Access to Essential Services)

Telefónica engaged Sustainalytics to review the Telefónica Sustainable Financing Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP),<sup>2</sup> Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP)<sup>3</sup>. The Framework has been published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13.3, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Telefónica’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Telefónica representatives have confirmed (1) they understand it is the sole responsibility of Telefónica to ensure that the information provided is complete, accurate, and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>2</sup> The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>3</sup> The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>4</sup> The Telefónica Sustainable Financing Framework is available on Telefónica’s website at: <https://www.telefonica.com/en/shareholders-investors/rating/sustainable-finance/>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Telefónica.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Telefónica is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Telefónica has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Telefónica Sustainable Financing Framework

Sustainalytics is of the opinion that the Telefónica Sustainable Financing Framework is aligned with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible green and social categories – i) Energy Efficiency of Telefónica's Network Infrastructure, ii) Renewable Energy, iii) Data-Driven Solutions, and iv) Inclusive Connectivity (Access to Essential Services) – are aligned with those recognized by the GBP, SBP, GLP and SLP.<sup>6</sup> Telefónica has confirmed to Sustainalytics that eligible projects will be located in Europe and Latin America.
  - In line with the eligibility criteria, Telefónica intends to finance physical assets, capital expenditures, R&D and other operating expenditures related to the servicing, improvement and extension of eligible projects, as well as acquisitions of green and social pure play companies.
    - Regarding pure plays, Telefónica intends to finance or refinance the acquisition of entities that derive 90% or more of their revenue from activities that comply with the eligibility criteria set in the Framework. Sustainalytics considers it to be good practice to allocate proceeds for the acquisition of, or equity investment in, pure plays linked to the fair value of eligible green or social assets booked under the balance sheet of the target company or investee company.
  - Under Energy Efficiency of Telefónica's Network Infrastructure, Telefónica may finance or refinance mobile and fixed network projects and activities, including:
    - Modernization of mobile and fixed networks via the deployment of new high-speed technology as well as the installation of fibre optics infrastructure to replace legacy copper-based networks. This includes the financing of devices and systems that support the deployment and modernization of such infrastructure, including cooling systems; the replacement of rectifiers and uninterruptible power supply with more energy-efficient tools; smart management; intelligent lighting; the optimization of power storage such as through the installation of hybrid systems that include high cycle batteries; and the automatization of maintenance processes. Telefónica has

<sup>6</sup> Sustainalytics has assessed and opined on the financing of activities and projects exclusively mentioned in the Framework. Sustainalytics' opinion should not be construed as an assessment of the activities and projects that Telefónica may deem eligible but have not been detailed in the Framework.

confirmed to Sustainalytics that expenditures under this category will not include the ongoing operation of mobile and fixed networks.

- Sustainalytics recognizes that the deployment of new high-speed technology infrastructure may lead to increased energy demand overall, but energy efficiency gains achieved through such investments are expected to result in a net energy reduction per unit of data transmitted. This will be achieved specifically by enabling energy-efficient transmission and operational efficiencies across a range of industries and activities downstream of the financed network.
  - Telefónica has not confirmed an estimated energy efficiency improvement threshold for the financing of “automatization of maintenance processes”. Sustainalytics recognizes the potential energy efficiency benefits that may result from the automation of certain maintenance processes for the operation of broadband networks. Nevertheless, Sustainalytics notes the uncertainty around the expected energy efficiency improvements resulting from such expenditures, which may result in a limited environmental impact from the proceeds of this category. Sustainalytics further notes that Telefónica has committed to report on the energy efficiency improvements resulting from all expenditures under this category.
  - Purchase and implementation of software aimed at reducing power consumption, including through the incorporation and implementation of power savings features; server virtualization; remote and data management applications; machine learning; and artificial intelligence applications.
  - Telefónica has confirmed to Sustainalytics that the financed technologies and infrastructure in this category will not be designed or intended for processes or industries that are inherently carbon intensive, nor primarily driven or powered by fossil fuels.
- Under the Renewable Energy category, Telefónica may finance or refinance the generation of electricity from renewable sources, including solar, wind, small-scale hydro and geothermal energy.
- Sustainalytics notes that geothermal projects will be limited to a direct emissions threshold up to 100 gCO<sub>2</sub>/kWh, and small-scale hydro financing excludes facilities greater than 25 MW.
  - Sustainalytics notes that Telefónica has defined an estimated emissions intensity threshold of 100 gCO<sub>2</sub>e/kWh for all financed hydro assets and activities. However, considering the longevity of hydropower assets, newly constructed facilities lock in energy generation for an extended period, favouring lower thresholds for new facilities. Sustainalytics encourages Telefónica to favour projects with emissions intensities below a 50g CO<sub>2</sub>e/kWh threshold.<sup>7</sup>
  - Telefónica may finance or refinance the purchase of renewable energy tied to Telefónica’s renewable energy projects and complying with the above criteria pursuant to long-term (a minimum of five years) physical power purchase agreements.
  - Sustainalytics considers this to be aligned with market expectation.
- Under the Data-driven Solutions category, Telefónica may finance or refinance the development and implementation of digital products and services aimed at the conservation of energy or natural resources, including:
- Information and communications technologies (ICT) connectivity and hardware, such as connecting assets, digital devices and endpoints; and data processing, data hosting and data analytics services.
  - End-to-end integrated IoT products and services, such as smart metering, smart energy, smart city platforms, smart mobility, smart industry, smart agro, smart retail and consumer IoT solutions.
    - The Framework allows for allocation to various “smart” connectivity investments. Despite the variety of definitions and applications of such

<sup>7</sup> Telefónica has confirmed to Sustainalytics that all new hydropower projects will be subject to an environmental and social impact assessment to ensure that no significant risks, negative impact or significant controversies related to the projects are identified.

technologies, Sustainalytics considers investments that are designed to improve grid and end-use efficiency to be most impactful and encourages Telefónica to select projects that are clearly anticipated to deliver tangible efficiency improvements, and report on their impacts.

- Sustainalytics notes that IoT investments described in the Framework will contribute to supporting internet connectivity for a high density of devices and are expected to enable more energy-efficient data transmission. This could unlock new opportunities in areas such as smart metering, smart lighting and smart cities. Refer to Section 3 for further discussion on the expected environmental impacts of these technologies.
- Sustainalytics recognizes that by enabling high-speed network connectivity, Telefónica's solutions have the potential to support significant energy savings by end users across many sectors. Sustainalytics also acknowledges that expanding IoT networks and increasing data flows from IoT-enabling technologies may result in additional overall energy demand on telecommunications networks. Overall, Sustainalytics believes that the enabled savings outweigh the potential adverse effects of additional network energy demand. Although such investments may indirectly benefit a broad range of industries, Sustainalytics positively notes that Telefónica excludes products and solutions developed specifically to support the fossil fuel industry or associated infrastructure.
- Under the Inclusive Connectivity – Access to Essential Services category, Telefónica may finance or refinance the deployment, extension and optimization of fixed or mobile broadband infrastructure for unconnected and underserved<sup>8</sup> populations with limited or low-quality access to broadband networks in socially vulnerable areas<sup>9</sup> and in rural areas.<sup>10</sup>
  - Sustainalytics views these activities to be aligned with good practice for supporting improved access to essential services.
- Project Evaluation and Selection:
  - Telefónica's Sustainable Financing Committee (the "Committee") will be responsible for the evaluation and selection of eligible projects in accordance with the criteria defined in the Framework. The Committee consists of representatives from the Company's Finance, Sustainability and Control departments and other technical areas as needed. The Committee will meet at least once a year to review and monitor the list of eligible projects against the eligibility and exclusion criteria.
  - Telefónica has implemented environmental and social risk management systems to address environmental and social risks commonly associated with the eligible projects. The risk management systems include internal processes to assess and mitigate environmental and social risks, such as an environmental management system compliant with ISO 14001, and policies on supply chain sustainability and occupational health, safety and well-being, which apply to all of Telefónica's companies and suppliers. Refer to Section 2 for more details.
  - Based on the cross-functional oversight for project evaluation and selection, and the presence of environmental and social risk management systems, Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:
  - Telefónica's Finance, Control and Sustainability departments will oversee the management of proceeds using a Sustainable Financing Register, which will include a database of relevant project information.
  - Telefónica intends to allocate all proceeds within 24 months of issuance on a best-effort basis. Proceeds will be deposited in a general funding account and earmarked for allocation to the Company's SDG Bond Register. Pending allocation, proceeds will be temporarily invested in line with the Company's normal liquidity policy.

<sup>8</sup> Telefónica defines unconnected and underserved communities as those with no service from any operator, or at least one mobile service from an operator without broadband capacity. In addition, Telefónica relies on the US FCC's (United States Federal Communications Commission) 2018 definition which specifies a minimum of 25 Mbps download speeds and 3 Mbps upload speeds for broadband internet.

<sup>9</sup> Telefónica defines socially vulnerable areas as per criteria and definition of each specific region or country and which may be provided by a variety of sources, including national governments, NGOs or the OECD.

<sup>10</sup> Telefónica defines rural areas as per the definition provided by local governments according to their political and geographical structure and organization.

- In cases where some eligible projects cease to comply with the Framework criteria, are divested or involved in major ESG controversies, Telefónica will replace such projects with eligible ones within 24 months.
- Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Telefónica intends to report on the allocation of proceeds and corresponding social and environmental impacts on its website on an annual basis until full allocation.
  - Allocation reporting will include a list of eligible projects financed through the Framework, including: the amounts allocated; the amount of unallocated proceeds, if any; financing instrument proceeds allocated per eligibility category; and the percentage of eligible projects by region and type of expenditure. Impact reporting will include metrics such as the energy consumption per data traffic (in MWh/PB or an equivalent unit), estimated GHG emissions reduced or avoided (in tCO<sub>2</sub>e), expected energy saved (in MWh), and populations served by broadband networks in previously unconnected, underserved or socially vulnerable areas. For a complete list of impact metrics, please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme - External Review Form.
  - The Company intends to align its reporting with the ICMA Handbook on Harmonized Framework for Impact Reporting<sup>11</sup> and the ICMA Handbook on Harmonized Framework for Impact Reporting for Social Bonds.<sup>12</sup>
  - Based on the intention to report on the allocation and impact of projects financed, Sustainalytics considers this process to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Telefónica Sustainable Financing Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond / Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Telefónica

### Contribution to Telefónica Group's sustainability strategy

Sustainalytics is of the opinion that the Framework is aligned with Telefónica's commitment to sustainability through the integration of the following ESG considerations into its corporate strategy: i) "building a greener future" through initiatives related to energy efficiency and renewable energy, circular approaches and the transition to digital solutions; ii) "helping society thrive" - through initiatives related to digital inclusion, digital innovation across SMEs and education to increase digital knowledge; and iii) "leading by example" - through initiatives related to diversity and ethics, data privacy and security, and supply chain sustainability.<sup>13</sup> Telefónica's roadmap towards sustainability is based on its Responsible Business Principles and Responsible Business Plan.<sup>14</sup>

Telefónica has developed GHG emissions reduction targets validated by the Science Based Targets initiative to: i) achieve net zero across scope 1, 2 and 3 emissions by 2040; ii) reduce scope 1 and 2 emissions by 80% by 2030 compared to 2015; and iii) reduce scope 3 emissions by 56% by 2030 compared to a 2015 baseline.<sup>15</sup> As of 2022, Telefónica had reduced its scope 1 and 2 emissions by 80% compared to 2015 and its scope 3 value chain emissions by 32% compared to 2016 levels.<sup>16,17</sup> Telefónica aims to further reduce those

<sup>11</sup> ICMA, "Harmonised framework for impact reporting", (2022), at: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022-280622.pdf)

<sup>12</sup> ICMA, "Harmonised framework for impact reporting for social bonds", (2022), at: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf)

<sup>13</sup> Telefónica Group, "ESG Highlights: 2022 Consolidated Report", (2023), at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/esg-highlights-report-2022.pdf>

<sup>14</sup> Telefónica, "Consolidated management report 2022", at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/management-and-sustainability-esg-report-2022.pdf>

<sup>15</sup> Telefónica, "ESG Highlights: 2022 Consolidated Report", (2023), at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/esg-highlights-report-2022.pdf>

<sup>16</sup> Ibid.

<sup>17</sup> Telefónica, "Consolidated management report 2022", at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/management-and-sustainability-esg-report-2022.pdf>

emissions by engaging with its suppliers through its CDP Supplier Engagement Rating Leadership<sup>18</sup> and 1.5°C Supply Chain Leaders initiatives.<sup>19,20</sup> Further, Telefónica has set a target to reduce energy consumption per traffic unit (measured in MWh/Pb) by 90% by 2025 compared to 2015 levels.<sup>21</sup> The Company views the deployment of 5G technology and fibre optic as essential to increasing energy efficiency and has a target to provide access to fibre optic to all of its retail customers in Spain by 2024.<sup>22</sup> In 2020, Telefónica deployed 5G in its three main markets,<sup>23</sup> which has the potential to result in 90% more efficiency than 4G in terms of energy consumption per data traffic unit (byte) transmitted.<sup>24</sup> As part of its Renewable Energy Plan, Telefónica aims to rely on 100% renewable electricity by 2030, which it has already achieved in its markets in Europe, as well as Brazil, Peru and Chile as of 2022.<sup>25</sup>

As part of its social impact goals, Telefónica focuses on increasing connectivity and expanding coverage of mobile broadband. The Company has committed to achieve rural mobile broadband coverage of 90-97% in Brazil and Spain by 2024, 80% of which has already been achieved in Brazil and 94% in Spain as of 2022. The company also launched the Internet for All (IpT is the acronym in Spanish and Portuguese) project in 2018, developed to provide internet access to underserved and rural people in Latin America.<sup>26</sup> Additionally, Telefónica focuses on educational initiatives, such as offering technology training programmes for children, professionals and the elderly. This includes the Profuturo programme, which benefitted 7.2 million children and more than 400,000 teachers globally in 2022. Telefónica also aims to promote local employment by supporting more than 500 start-ups in 15 countries through its initiatives of Open Future, Wayra and Telefónica Venture Capital.<sup>27</sup>

Overall, sustainable financing accounted for 27% of Telefónica's total financing in 2022, and it aims to increase this share to 30-35% by 2024. Telefónica is also a member of CDP and reports its sustainability performance in accordance with the recommendations of the GRI, SASB and TCFD.<sup>28</sup>

Sustainalytics is of the opinion that the Telefónica Sustainable Financing Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on the noted environmental and social priorities.

#### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework are intended to be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving supply chain risk, biodiversity risks associated with the construction of new large-scale infrastructure, including those related to land use, biodiversity, waste management, effluents and community relations, and data privacy and security, business ethics and occupational health and safety (OHS) risks.

Sustainalytics is of the opinion that Telefónica is able to manage or mitigate potential risks through the implementation of the following:

- Telefónica has developed a risk management and supplier engagement approach, which: i) applies minimum supply chain standards; ii) identifies high-risk suppliers; iii) assesses high-risk supplier

<sup>18</sup> CDP, "Supplier Engagement Rating Leader board", at: [https://www.cdp.net/en/research/global-reports/scoping-out-tracking-nature-across-the-supply-chain?cid=343167318&adgpid=51710386936&itemid=&targid=kwd-378962791845&mt=b&loc=9065276&ntwk=g&dev=c&dmod=&adp=&qclid=CjwKCAjwxr2iBhBJEiwAdXECwyRupKWGk6xu3p\\_ipiRjzYq5A2INgPglx0LjRv1xSoiQhKg\\_lTk4xoCw5oQA\\_vD\\_BwE](https://www.cdp.net/en/research/global-reports/scoping-out-tracking-nature-across-the-supply-chain?cid=343167318&adgpid=51710386936&itemid=&targid=kwd-378962791845&mt=b&loc=9065276&ntwk=g&dev=c&dmod=&adp=&qclid=CjwKCAjwxr2iBhBJEiwAdXECwyRupKWGk6xu3p_ipiRjzYq5A2INgPglx0LjRv1xSoiQhKg_lTk4xoCw5oQA_vD_BwE)

<sup>19</sup> SME Climate Hub, "1.5°C Supply Chain Leaders", at: <https://smeclimatehub.org/supply-chain-leaders/>

<sup>20</sup> Telefónica, "ESG Highlights: 2022 Consolidated Report", (2023), at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/esg-highlights-report-2022.pdf>

<sup>21</sup> Telefónica, "ESG Highlights: 2022 Consolidated Report", (2023), at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/esg-highlights-report-2022.pdf>

<sup>22</sup> Telefónica, "Consolidated management report 2022", at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/management-and-sustainability-esg-report-2022.pdf>

<sup>23</sup> Spain, Brazil and Germany.

<sup>24</sup> Seccomandi, N. (2020), "Telefónica makes progress in the design of a green 5G network", Telefónica, at: <https://www.telefonica.com/en/communication-room/blog/telefonica-makes-progress-in-the-design-of-a-green-5g-network/>

<sup>25</sup> Telefónica, "Consolidated management report 2022", at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/management-and-sustainability-esg-report-2022.pdf>

<sup>26</sup> Ibid.

<sup>27</sup> Telefónica, "Consolidated management report 2022", at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/management-and-sustainability-esg-report-2022.pdf>

<sup>28</sup> Ibid.

performance; and iv) audits high-risk suppliers.<sup>29</sup> Telefónica also has a Supply Chain Sustainability Policy that outlines general principles of action, minimum compliance, and ethical, social and environmental standards for sustainable business, and establishes criteria related to privacy and confidentiality for all suppliers.<sup>30</sup> To manage risks related to purchasing products that may contain minerals from conflict zones or high-risk areas in terms of human rights, Telefónica requires its suppliers to comply with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.<sup>31</sup> The supplier must also complete the Conflict Minerals Reporting Template from the Responsible Minerals Initiative or a similar questionnaire approved by Telefónica, wherever applicable.<sup>32,33</sup>

- Regarding land use and biodiversity risks associated with the construction of new energy efficient infrastructure, all Telefónica contractors have an ISO 14001 certified environmental management system in place<sup>34,35</sup> In addition, Telefónica has developed an Environmental Policy to support environmental risk management and compliance, and the protection of biodiversity and ecosystems.<sup>36</sup> The Company also uses a geographic information systems to ensure that it minimizes the environmental impacts of its.<sup>37</sup>
- To address risks related to effluents and waste management, Telefónica utilizes a waste management platform which tracks and assesses all waste related data, facilitating the application of best available waste management practices and processes, as well as adherence to all environmental regulations and project-level contractual requirements.<sup>38</sup>
- Regarding community relation risks, Telefónica implements a stakeholder engagement strategy established under its Responsible Business Plan that focuses on ongoing engagement, transparency, and collaboration with stakeholders.<sup>39</sup>
- Telefónica has implemented a Security Policy encompassing operational security, digital security related to information security and cybersecurity, business continuity and fraud prevention, which also covers its suppliers and subcontractors,<sup>40</sup> as well as a Privacy Policy to protect principles of legality, transparency, commitment to the rights of stakeholders, limitation of the conservation period and security.<sup>41</sup> Telefónica is also a member of the Global Network Initiative, which protects and promotes freedom of expression and privacy in the information and communication technologies sector.<sup>42</sup>
- Telefónica's overarching Responsible Business Principles include ethical management, respect for and promotion of human rights and digital rights, and commitment to society.<sup>43</sup> Additionally, Telefónica's Supply Chain Sustainability Policy prohibits the Company and its suppliers from involvement in modern slavery, human trafficking and child labour.<sup>44</sup> The Company has also developed a Human Rights Policy based on the UN Guiding Principles for Business and Human Rights to ensure respect and promotion of human rights across its operations and supply chains.<sup>45</sup>

<sup>29</sup> Telefónica, "ESG Highlights", (2022), at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/esg-highlights-report-2022.pdf>

<sup>30</sup> Telefónica, "Supply Chain Sustainability Policy", (2020), at: <https://www.telefonica.com/en/sustainability-innovation/how-we-work/value-chain/>

<sup>31</sup> OECD, "OECD Due Diligence Guidance for Responsible Supply chains of Minerals from Conflict-Affected and High-Risk Areas", at:

<https://www.oecd.org/daf/inv/mne/mining.htm#:~:text=Investment%20policy-.OECD%20Due%20Diligence%20Guidance%20for%20Responsible%20Supply%20Chains%20of%20Minerals,Affected%20and%20High%2DRisk%20Areas&text=The%20OECD%20Due%20Diligence%20Guidance,mineral%20purchasing%20decisions%20and%20practices>

<sup>32</sup> Responsible Minerals Initiative, "Conflict Minerals Reporting Template", at: <https://www.responsiblemineralsinitiative.org/reporting-templates/cmrt/>

<sup>33</sup> Telefónica, "Supply Chain Sustainability Policy", (2020), at: <https://www.telefonica.com/en/sustainability-innovation/how-we-work/value-chain/>

<sup>34</sup> ISO 14001: <https://www.iso.org/iso-14001-environmental-management.html>

<sup>35</sup> Telefónica, "Management and Sustainability (ESG) Report 2022", at: <https://www.telefonica.com/en/shareholders-investors/financial-reports/integrated-annual-report/>

<sup>36</sup> Telefónica, "Telefónica Global Environmental Policy", (2019), at: [https://www.telefonica.com/en/wp-content/uploads/sites/5/2021/08/Docu\\_politica\\_ambiental\\_ENG.pdf](https://www.telefonica.com/en/wp-content/uploads/sites/5/2021/08/Docu_politica_ambiental_ENG.pdf)

<sup>37</sup> Telefónica, "Management and Sustainability (ESG) Report 2022", at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/management-and-sustainability-esg-report-2022.pdf>

<sup>38</sup> Telefónica, "Management and Sustainability (ESG) Report 2022", at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/management-and-sustainability-esg-report-2022.pdf>

<sup>39</sup> Ibid.

<sup>40</sup> Telefónica, "Global Security Policy", (2021), at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2021/09/Security-Global-Policy-Ed.4.pdf>

<sup>41</sup> Telefónica, "Global Privacy Policy", (2018), at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2021/03/global-privacy-policy.pdf>

<sup>42</sup> Telefónica, "Management and Sustainability (ESG) Report 2022", at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2023/03/management-and-sustainability-esg-report-2022.pdf>

<sup>43</sup> Telefónica, "Responsible Business Principles", (2022), at: <https://www.telefonica.com/en/sustainability-innovation/how-we-work/business-principles/>

<sup>44</sup> Telefónica, "Supply Chain Sustainability Policy", (2020), at: <https://www.telefonica.com/en/sustainability-innovation/how-we-work/value-chain/>

<sup>45</sup> Telefónica, "Human Rights", at: <https://www.telefonica.com/en/sustainability-innovation/society/human-rights/>



- Telefónica has established an Occupational Health, Safety and Well-Being Policy that includes commitments to provide safe and healthy working conditions.<sup>46</sup> Through its Responsible Business Principles, Telefónica commits to protect its employees' physical, mental and social health, and to implement and foster corresponding initiatives.<sup>47</sup>

Based on these policies, standards, processes and assessments, Sustainalytics is of the opinion that Telefónica has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

#### Importance of energy efficiency investments in the telecommunications industry

The telecommunications industry is in the midst of a global transformation driven by the rollout of new technologies, including 5G, a new wireless standard expected to enable significantly faster connection speeds, improve bandwidth and lower latency for telecom networks globally. As of the end of 2020, an estimated 32% of global smartphone volumes had already adopted 5G technology,<sup>48</sup> with the number of IoT-connected devices projected to reach 43 billion by the end of 2023, a threefold increase from 2018.<sup>49</sup>

The use of 5G networks has the potential to provide considerable environmental benefits. According to the Global System for Mobile Communications, the telecom sector accounted for 2-3% of global energy consumption and 3-4% of global GHG emissions as of 2019.<sup>50,51</sup> Legacy mobile networks, for example, use only 15% of the energy they demand towards data transfer, while wasting 85% as a result of heat loss, intermittency and inefficient infrastructure.<sup>52</sup> In this context, the upgrade to 5G provides a significant opportunity for further reducing energy intensity and consumption of mobile networks,<sup>53</sup> as the technology leverages energy efficiency mechanisms linked to the optimization of processor and transmitter technologies and the implementation of network-sharing mechanisms. Industry calculations estimate that 5G could be up to 10 to 20 times more energy-efficient than 4G by 2025-2030.<sup>54</sup> Moreover, the provision of energy-efficient and low-carbon smart solutions and products by telecom network operators will enable other industries to reduce their own energy consumption and GHG emissions.<sup>55</sup>

Sustainalytics is of the opinion that Telefónica's investments in projects that could result in increased energy efficiency will positively contribute to reducing the environmental footprint of the telecommunications services industry and contribute towards national and international targets.

#### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Telefónica Sustainable Financing Framework are expected to help advance the following SDGs and targets:

<sup>46</sup> Telefónica, "Telefónica Regulation Group Occupational Health, Safety and Well-being", (2018), at: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2021/08/Regulation-on-Occupational-Health-Safety-and-Well-being.pdf>

<sup>47</sup> Telefónica, "Responsible Business Principles", (2022), at: <https://www.telefonica.com/en/sustainability-innovation/how-we-work/business-principles/>

<sup>48</sup> J.P. Morgan, "The Future of 5G Adoption", (2021), at: <https://www.jpmorgan.com/insights/research/future-of-5g-adoption>

<sup>49</sup> Dahlgvist, F. et al. (2019), "Growing opportunities in the Internet of Things", McKinsey & Company, at: <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/growing-opportunities-in-the-internet-of-things>

<sup>50</sup> GSMA, "Energy Efficiency: An Overview", at: <https://www.gsma.com/futurenetworks/wiki/energy-efficiency-2/>

<sup>51</sup> BCG, "Putting Sustainability at the Top of the Telco Agenda", (2021), at: <https://www.bcg.com/publications/2021/building-sustainable-telecommunications-companies>

<sup>52</sup> McKinsey, "The case for committing to greener networks", (2020), at: <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-case-for-committing-to-greener-telecom-networks?cid=eml-web>

<sup>53</sup> BCG, "Putting Sustainability at the Top of the Telco Agenda", (2021), at: <https://www.bcg.com/publications/2021/building-sustainable-telecommunications-companies>

<sup>54</sup> Orange, "5G: energy efficiency "by design", (2020), at: <https://hellofuture.orange.com/en/5g-energy-efficiency-by-design/>

<sup>55</sup> BCG, "Putting Sustainability at the Top of the Telco Agenda", (2021), at: <https://www.bcg.com/publications/2021/building-sustainable-telecommunications-companies>

Use of Proceeds Category	SDG	SDG target
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Data-driven Solutions	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Access to Essential Services – Inclusive Connectivity	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
		9.C Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020

## Conclusion

Telefónica has developed the Telefónica Sustainable Financing Framework under which it will issue green, social and sustainability bonds and obtain loans, and use the proceeds to finance or refinance, in whole or in part, existing and future projects in eligible green and social categories (Energy Efficiency of Telefónica's Network Infrastructure; Renewable Energy; Data-driven Solutions; and Inclusive connectivity–Access to Essential Services). Sustainalytics considers that the projects funded by the bond proceeds are expected to provide positive environmental and social impact in Europe and Latin America.

The Telefónica Sustainable Financing Framework outlines a process for tracking, allocating and managing proceeds and makes commitments for reporting on their allocation and impact. Sustainalytics believes that Telefónica Sustainable Financing Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that Telefónica has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Telefónica is well-positioned to issue green, social and sustainability bonds and obtain loans, and that Telefónica Sustainable Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021, and Green Loan Principles 2023, and Social Loan Principles 2023.

## Appendix

### Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

#### Section 1. Basic Information

Issuer name:	Telefónica Group
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Telefónica Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 26, 2023
Publication date of review publication:	
Original publication date [please fill this out for updates]:	January 22, 2021

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |                                                            |                                                                                  |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |                                                                                 |                                        |
|---------------------------------------------------------------------------------|----------------------------------------|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification                                           | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |                                        |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – i) Energy Efficiency of Telefónica’s Network Infrastructure, ii) Renewable Energy, iii) Data-driven Solutions, and iv) Inclusive Connectivity – Access to Essential Services – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.

#### Use of proceeds categories as per GBP:

- |                                                                                                                                                    |                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Renewable energy                                                                                               | <input checked="" type="checkbox"/> Energy efficiency                                                    |
| <input type="checkbox"/> Pollution prevention and control                                                                                          | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation                                                                         | <input type="checkbox"/> Clean transportation                                                            |
| <input type="checkbox"/> Sustainable water and wastewater management                                                                               | <input type="checkbox"/> Climate change adaptation                                                       |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings                                                                 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Data Driven Solutions                        |

If applicable please specify the environmental taxonomy, if other than GBPs:

#### Use of proceeds categories as per SBP:

- |                                                                                                                                                   |                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <input type="checkbox"/> Affordable basic infrastructure                                                                                          | <input checked="" type="checkbox"/> Access to essential services                        |
| <input type="checkbox"/> Affordable housing                                                                                                       | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security                                                                                                            | <input type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):                                        |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Telefónica's internal process for evaluating and selecting projects is governed by a dedicated Sustainable Financing Committee. The committee comprises representatives from Telefónica's Finance, Sustainability and Control departments, as well as representatives from other technical areas as needed. Telefónica has in place an internal ESG risk management system to assess and manage risks associated with eligible projects. Sustainalytics considers the risk management systems in place to be adequate and the project evaluation and selection process in line with market practice.

### Evaluation and selection

- |                                                                                                                             |                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):                                                                              |

### Information on Responsibilities and Accountability

- |                                                                                                                |                                              |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):                                                               |                                              |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Telefónica's Finance, Control and Sustainability departments oversee the management of proceeds process. Telefónica intends to establish a Sustainable Financing Register to monitor and track the allocation of proceeds from green, social or sustainability instruments. Proceeds will be deposited in a general funding account and earmarked for allocation to the Sustainable Financing Register. Proceeds will be allocated within 24 months of issuance on a best-effort basis. Unallocated proceeds will be temporarily invested according to Telefónica's internal liquidity policy. This is in line with market practice.

### Tracking of proceeds:

- |                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds            |
| <input type="checkbox"/> Other (please specify):                                                                              |

**Additional disclosure:**

- |                                                                                             |                                                                                         |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                                        |

**4. REPORTING**

Overall comment on section (if applicable):

Telefónica intends to publish allocation and impact reports on its website on an annual basis until full allocation. Allocation reporting will include a list of eligible projects financed through the Framework, including the amounts allocated, the bond proceeds allocated per eligibility category and the remaining balance of unallocated proceeds, if any. Impact reporting will include relevant impact metrics for each eligibility criterion. Sustainalytics views Telefónica's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- |                                                        |                                                                  |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported:**

- |                                                       |                                                                                 |
|-------------------------------------------------------|---------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |                                                                                 |

**Frequency:**

- |                                                  |                                      |
|--------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |                                                        |                                                       |
|--------------------------------------------------------|-------------------------------------------------------|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):      |

**Information reported (expected or ex-post):**

- |                                                  |                                                    |
|--------------------------------------------------|----------------------------------------------------|
| <input type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use   | <input type="checkbox"/> Number of beneficiaries   |

Target populations

Other ESG indicators (please specify):

Energy Efficiency of Telefonica Network Infrastructure	<ul style="list-style-type: none"> <li>• Energy consumption per data traffic (MWh/PB or equivalent unit)</li> <li>• Estimated GHG Emissions reduced (tCO2eq)</li> <li>• Expected energy saved (in MWh)</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Renewable MWh generated or purchased</li> <li>• % of electricity consumption from renewable sources</li> <li>• Estimated avoided GHG Emissions (tCO2eq)</li> </ul>
Data Driven Solutions	<ul style="list-style-type: none"> <li>• Estimated avoided GHG Emissions through services (tCO2eq)</li> <li>• Expected energy savings (in MWh)</li> <li>• Service-related KPI's such as number of smart meters.</li> <li>• Qualitative reporting on new innovations</li> </ul>
Inclusive Connectivity (Access to Essential Services)	<ul style="list-style-type: none"> <li>• Population covered with broadband networks in unconnected or underserved or socially vulnerable areas</li> <li>• Number of users connected with broadband networks in unconnected or underserved areas</li> </ul>

**Frequency:**

Annual

Semi-annual

Other (please specify):

**Means of Disclosure**

Information published in financial report

Information published in sustainability report

Information published in ad hoc documents

Other (please specify):

Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |                                                                      |                                        |
|----------------------------------------------------------------------|----------------------------------------|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |                                        |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.



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For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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