Telefónica Tech | 2024

Telefónica Tech

Building a Greener Future

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Introduction

On Monday 20th March 2023 António Guterres, Secretary-General of the United Nations said, "the world is rapidly approaching catastrophic levels of heating with international climate goals set to slip out of reach unless immediate and radical action is taken". "The climate time-bomb is ticking" and "humanity is on this ice – and that ice is melting fast."

In the report released that Monday by the U.N. Intergovernmental Panel on Climate Change (IPCC) draws on the findings of hundreds of scientists to provide a comprehensive assessment of how the climate crisis is unfolding. It concludes that the world is likely to pass a dangerous temperature threshold within the next 10 years, pushing the planet past the point of catastrophic warming unless nations drastically transform their economies and immediately transition away from fossil fuels. This is one of the most definitive reports ever published about climate change, showing that we all need to work together to protect the planet.

Researchers found that the world is on the brink of 1.5 degrees Celsius of warming, meaning it is close to surpassing an internationally agreed-upon threshold for climate warming. The current trajectory is for a 2.2 to 2.4 degrees Celsius of warming. Beyond that threshold, scientists have found, climate disasters will become so extreme that people will not be able to adapt. In fact, this amount of warming will threaten coral reefs, melt ice sheets, and contribute to sea level rise. We will see heat waves, famines, and more infectious diseases spread, claiming millions of additional lives by the end of the century.

In 2019 the UK became the first major economy to pass a Net Zero emissions law, meaning the UK government is now legally required to reach Net Zero emissions by 2050. When the UK government published its procurement policy note 06/21 (PPN 06/21), it was clear that businesses should focus on building back the economy in a sustainable fashion.

Our Approach

Telefónica Tech are proud to be part of the Telefónica Family which this year, 2024, is celebrating its centenary as a powerful driver of value to society and our shareholders. You can find its latest Management and Sustainability report online at www.telefónica.com.

As Telefónica Chairman, José María Álvarez-Pallet says, "for Telefónica, sustainability means thinking about society and the planet and orienting the business to be part of the solution to the challenges facing humanity. Being a sustainable company is critical for the future of our business".

We understand that humans are a huge part of the ecosystem and all species have a vital role to play in maintaining the balance. We seek to learn more and more every day to understand how our business can contribute to maintaining this balance and aid humanity in continuing to form a better relationship with nature.

Our company is conducting a strategic review to ensure that our carbon reduction endeavours are integrated throughout our business, from suppliers to operations, down to our customers. We are prioritising the most valuable areas for reducing our carbon footprint and have set a target to achieve Net Zero for scopes 1 and 2 by 2040 and Net Zero for scope 3 by 2050.

* For the purposes of this document, Telefónica Tech means Telefónica Tech UK & Ireland Limited and its subsidiaries

Corporate Responsibility and Accountability

Telefónica Tech is on a journey to create a sustainable future and we want to ensure that journey is transparent, credible, impactful, and measurable. To this end, we have embarked on a journey to achieve Net Zero emissions by 2040 for scopes 1 and 2, and 2050 for scope 3. To ensure we achieve our aims, we partnered with carbon consultancy Enistic, who calculate and track our carbon emissions in accordance with the GHG protocol.

We firmly believe that our efforts to prioritise sustainability not only align with our core values but also position us for long-term success in an increasingly environmentally conscious society.

In addition, we are not only focusing on mitigating our own environmental impact, but we are also committed to making a positive social impact as we understand this is also a pillar of sustainability. For example, we have a number of ongoing projects working to educate all demographics on digital skills.

Our Carbon Reduction Targets

Telefónica Tech is committed to a 100% reduction in all scope 1, 2, and 3 emissións by 2050. We aim to have a 100% reduction in our scope 1 and 2 emissions by 2040. Our carbon reduction goals align with the IPCC's carbon reduction roadmap.

2050   **BUSINESS AMBITION FOR 1.5°C**   **enistic**

GHG Scope	Emissions sources
Scope 1	Direct emissions resulting from sources that are owned and controlled by Telefónica Tech
Scope 2	Indirect emissions from purchase of electricity and onsite EV charging
Scope 3	Indirect emissions from other sources not included in Scope 1 and 2 categories

All our emissions reductions will be primarily achieved through ambitious carbon reduction projects and offsetting carbon emissions will only be considered in cases of unavoidable emissions. Telefónica Tech will work with its partners to establish a yearly emission reduction target and this KPI will be integrated into our reporting system to ensure annual targets are met.

Emissions Categories

Currently, we measure all our scope 1 and scope 2 emissions following the GHG protocol, and we measure a subset of scope 3 emissions (PPN 06/21 requirement) following the Corporate Value Chain Scope 3 Standard.

Telefónica Tech Carbon Reduction Plan

in accordance with requirements for PPN 06/21

Commitment to Net Zero

In our commitment to becoming net zero, our carbon reduction goals align with the IPCC's carbon reduction roadmap. This report sets out a Net Zero roadmap, detailing the strategies we have put in place to achieve this goal.

Emissions Comparison

The table below shows our first year of reported emissions (Jan 2022- Dec 2022) and our base year (Jan 2023 - Dec 2023) emissions. Baseline emissions are a record of the GHGs that have been produced in the past – before introducing any strategies to reduce emissions – and are the reference point against which emission reductions can be measured.

2022 was the first year where we had a detailed GHG inventory. We acquired business applications, and data and AI business, which increased our headcount by more than 40%. In 2023, we increased the scope to include these additional Telefónica Tech entities and also increased the scope of emission categories included within our carbon account. As such, our 2023 carbon account is much more complete and will now be used as the base year. In addition, our 2022 emissions were calculated by a different supplier. Due to the increase in scope, a direct comparison between our 2022 and 2023 carbon account will not be representative of our emission trends. Our current reporting period is Jan 2023 to Dec 2023.

Emissions	Base Year: 2023	2022	% Change
Scope 1	51.9	21.8	137.6%
Scope 2	587.6	570.8	2.9%
Scope 3	1,124.9	713.7	57.6%
Total Emissions	1,764.4	1,306.3	35.1%
Intensity Ratio	7.84 kgCO2e per £1,000	5.79 kgCO2e per £1,000	35.4%

Calculation Assumptions:
- A sample of employees were surveyed for commuting and working from home. The answers were then extrapolated across the whole workforce.
- For sites where waste and water data was not available, it was estimated based on employee headcount.
- For deliveries, weight and distances were assumed where data was not available. An additional 20% was added onto the total delivery data to account for any missing data. Moving forward, we aim to improve data accuracy for this emission category.

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Emissions Breakdown

Scope 1	Total (tCO2e) for baseline period 2023	Total (tCO2e) for 2022	% Change
Energy – Natural Gas	32.2	18.64	72.7
Company Vehicles	0.6	3.2	-81.3
Other Fuels	19.1	-	-
Total Emissions Scope 1	**51.9**	**21.8**	**137.6%**

Scope 2	Total (tCO2e) for baseline period: 2023	Total (tCO2e) for 2022	% Change
Energy – Electricity	587.6	570.8	2.9%
Total Emissions Scope 2	**587.6**	**570.8**	**2.9%**

| Scope 3	Total (tCO2e) for baseline period: 2023	Total (tCO2e) for 2022	% Change
Purchased water	33.8	-	-
Grey Fleet	117.4	-	-
Deliveries	4.3	-	-
Waste generated in operations	96.6	-	-
Commuting	138.6	488.6	-71.6%
Home Working	238.0	69.4	242.9%
Business Travel	263.6	76.7	243.7%
EUC Devices in Use (annualised)	-	79.0	-
Well-to-Tank	181.4	-	-
Transmission and Distribution	51.2	-	-
Total Emissions Scope 3	**1,124.9**	**713.7**	**57.6%**
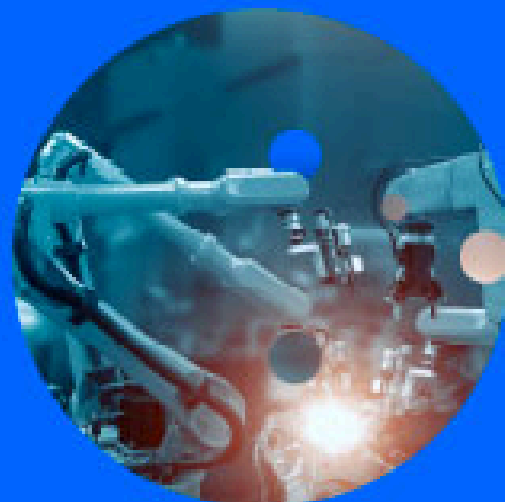
Emission Reduction

To continue our progress towards achieving Net Zero, we have developed a scope 1 and 2 Net Zero target for 2040, and a scope 3 Net Zero target for 2050.

We project an absolute linear reduction in our emissions from our baseline year to Net Zero emissions by 2050. These targets may change as new projects are implemented. Prior to our baseline year, we tracked scope 1 and 2 emissions and a small subset of scope 3 emissions.

The graph on the right depicts our projected vs targeted emissions. Starting with our baseline emissions from Jan 23 - Dec 23, the blue line shows our projected emissions as we introduce carbon reduction plans. The orange line shows our target emissions which sees a linear reduction until the end of 2050. These projections assume our business operations remain at similar levels as seen between Jan 23 - Dec 23.

Moving forward, more carbon reduction measures may become feasible and so more emission mitigation could occur - altering these current projections. As a last case scenario, we will consider offsetting as an option. This is where any residual emissions that we are unable to mitigate will be offset in order for us to achieve our net zero target.
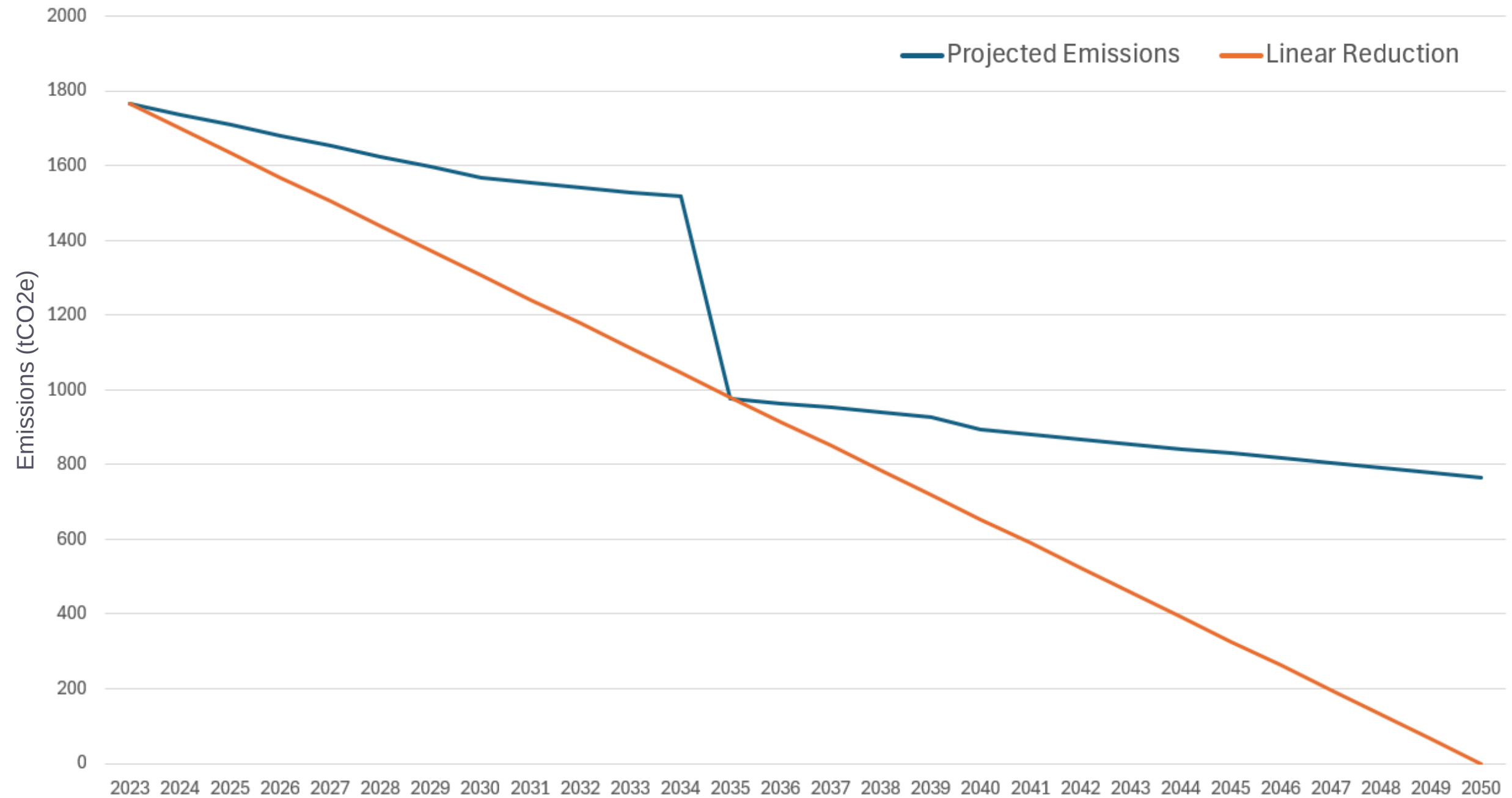
Year	2023	2030	2035	2040	2045	2050
Projected Emissions	1,764	1,569	977	894	829	765
Target Emissions	1,764	1,307	980	653	327	0

Emission Reduction Targets

Our emission projections target the following areas:
- Natural Gas
- Electricity
- Commuting
- Business Travel
- Waste

Moving forward, we aim to educate our employees on their consumption and so we hope to see a 15% reduction in energy consumption. As the UK becomes less reliant on gas consumption, we aim to eradicate our gas usage by 2030. Furthermore, we aim to source our electricity from renewables by 2035.

Additionally, as the UK plans to ban the sale of fuel-based cars from 2035, we expect to see a gradual reduction in commuting and business travel emissions.

Finally, as we anticipate an increase in sustainable technologies in all emission areas, as well as improvements in our own recycling methods, we anticipate a gradual reduction in waste emissions throughout the reduction period.

In addition to the above, we are also regularly keeping informed on other reduction measures that become available as we approach our Net Zero target.
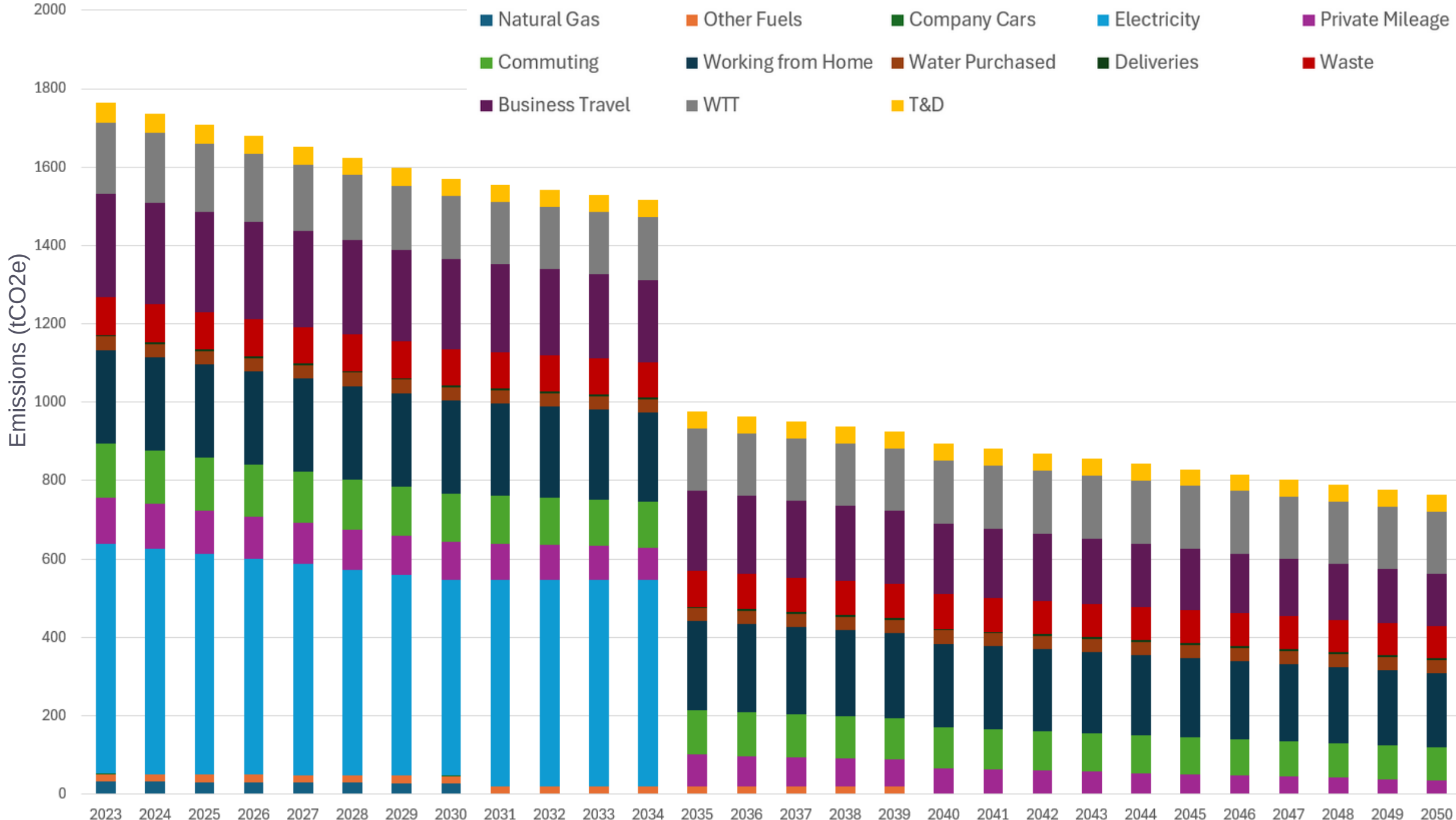
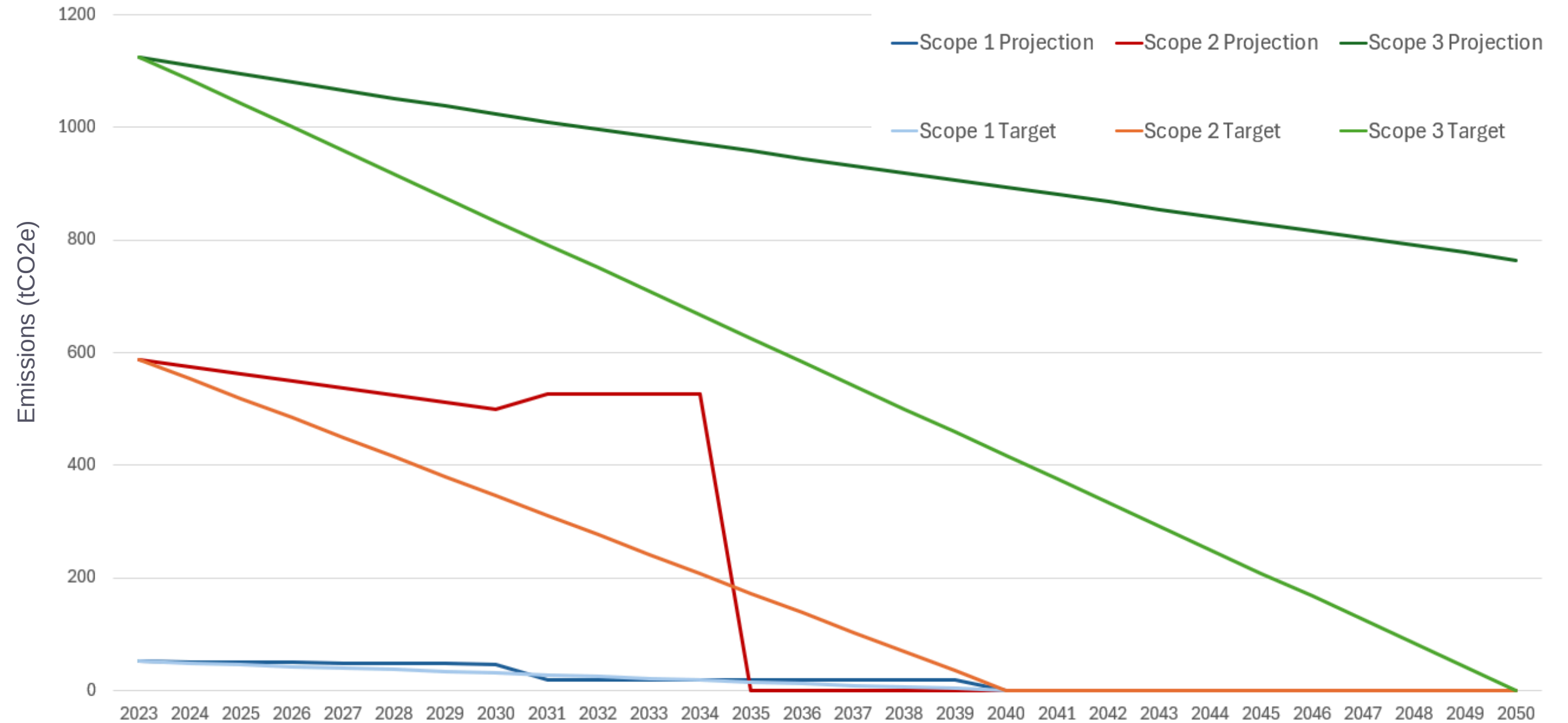| Year	2023	2030	2035	2040	2045	2050
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Scope Breakdown

The graph on the right shows the scope projection in comparison to our target emissions.

This demonstrates that we are on track to almost completely reduce our scope 1 and 2 emissions by 2040 with there being 1 tCO2e predicted by our Net Zero target year.

As expected, we will experience more difficulty in reducing our scope 3 emissions as we have much less control over these emission categories. However, we are hopeful that as more technologies become available globally, there will be more projects we can consider implementing in the coming years.

Year	2023	2030	2035	2040	2045	2050
Scope 1 Projected	52	47	20	1	1	1
Scope 2 Projected	588	499	0	0	0	0
Scope 3 Projected	1,125	1,022	958	893	829	764
Scope 1 Target	52	31	15	0	0	0
Scope 2 Target	588	346	173	0	0	0
Scope 3 Target	1,125	833	625	417	208	0

Completed Carbon Reduction Projects

Increased Scope of Carbon Account
In 2022, we aimed to increase our scope of our overall carbon accounts by including our additional entities (Incremental and Adatis). We are pleased to say we have achieved this with Incremental and Adatis now included in our 2023 carbon account. As well as this, we have also increased the scope of emission categories included in scope 3 which we will continue to do moving forward. As a result, we have growing understanding of our emissions breakdown.

Invested in a new cooling system in our Data Centre and Installed LED Lighting,
In recent years, we have made efforts to improve energy efficiency at our sites. For example, at our largest UK data centre we have invested in a new cooling infrastructure including replacement of all IT space cooling units, resulting in increased energy efficiency and LED lighting has been installed across our sites.

Environment, Sustainability, and Governance Lead
In 2023 Telefónica Tech employed a full time ESG Manager to run the Carbon Reduction Action Plan and she has set up four Sustainability Groups. A Governance Group, to oversee the collection of data and the Carbon Reduction Action Plans, a Sustainability Steering Committee made up of volunteers from all round the business to help ensure that we impact on the hearts and minds of our colleagues, A places working group made up of champions from our offices to look at the Waste and Energy use on our sites and a Partner Working Group who discover and make people aware of the fantastic Green products we provide that help our clients on their green Journeys.

Transitioned to Electronic Signatures
To reduce paper usage within the procurement function, we have transitioned to the Electronic Signature and Agreement Cloud. Implementing this has enabled us to eliminate the need to print, fax, scan, mail and store paper documents. This will be used for all contract amendments, CCNs and sign-off of project documents where signature is required.
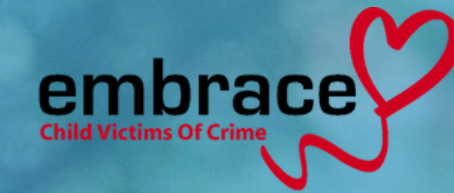
Moved to a new B-Corp e-waste provider for E-Waste
As well as being a finalist in the Paragon awards for Environmental Sustainability in 2023 with one of our clients for our joint efforts in reusing, recycling and reselling IT Assets. We also have a new partnership with a B-Corp e-waste provider. We both sell this to our customers and have implemented it ourselves.

Our Social and Environmental Impact

We believe strongly in our corporate responsibility – to our colleagues, our customers and our community.

Our CSR focus is at the core of our company. Our success enables us to build a strong culture within our organisation, as well as, to work with our local communities to deliver positive impact.

We don't just raise money and make donations; we also support our charities with technology and with our time and expertise. We encourage our employees to use their company volunteer days at any of our supported charities, as we believe this can benefit both the charities and our colleagues.

Future Carbon Reduction Projects

Source Electricity from Renewable Sources

Whether this be installing renewables on our sites, or sourcing our electricity from renewables elsewhere, we would like to remove our reliance on the grid. One of the primary advantages lies in its minimal impact on climate change, as renewable energy sources such as solar, wind, hydro, and geothermal power generate electricity without emitting greenhouse gases. Additionally, renewable energy sources are abundant and inexhaustible, providing a long-term and sustainable solution to our energy needs.

Rightsize Business Travel

As a business, we are also looking to reduce our emissions associated with business travel. To do this, we will create additional policies, especially for trips abroad. In turn, we will ensure that travel is necessary to meet our business requirements.

Eradicate Gas Consumption

Currently, we use natural gas to heat some of our facilities. However, there are cleaner alternative sources of energy that could be used instead. In fact, the UK currently aims to phase out 80% of gas boilers by 2035. Therefore, we plan on replacing on gas boiler with an electric alternative. In turn, we aim to fuel this electric boiler entirely with green energy.

Carbon Footprint Analysis

Most importantly, we will use the findings from this report to conduct a carbon footprint analysis. Currently, electricity and business travel are our highest emission contributors. Therefore, we will start by reviewing our consumption and policies to tackle these emission categories.
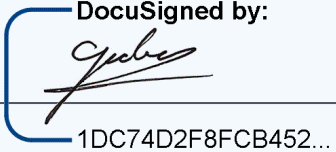
Declaration and Sign Off

This Carbon Reduction Plan has been completed in accordance with PPN 06/21 and associated guidance and reporting standard for Carbon Reduction Plans. Emissions have been reported and recorded in accordance with the published reporting standard for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard and uses the appropriate Government emission conversion factors for greenhouse gas company reporting.
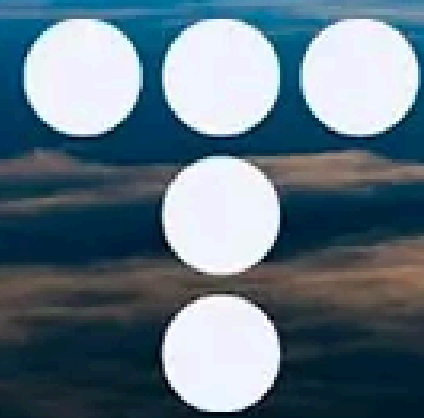Scope 1 and Scope 2 emissions have been reported in accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements, and the subset of Scope 3 emissions have been reported in accordance with the published standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard.
This Carbon Reduction Plan has been reviewed and signed off by the Board of Directors for Telefónica Tech UK and Ireland Limited

Signed

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Position Chris Brookes, VP of Business Operations

Date 28th June 2024