

Telefónica's Sustainable Energy Management Policy

Our Worldwide Approach

Approved by the Directors of Telefónica S.A. at their Board meeting on 29th of June 2016, and by the Corporate Board of the Telefónica Deutschland Group on 15 June 2016.

Telefónica Deutschland Group

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1. OBJECTIVE

The Energy Management Guidelines are defined within the framework of the Telefonica Group Environmental Policy, and develop the principles of environmental management in terms of energy.

The challenges linked to energy affect society as a whole. A growing demand, climate change, price increases and the development of renewable energy sources are aspects Telefónica must take into account when defining its energy management as they directly affect results and impact on the environment

This Policy provides a framework for all Telefonica companies for the setting of goals and taking of actions in the light of its commitment to reduce energy consumption and greenhouse gas emissions.

2. SCOPE OF APPLICATION

These Energy Management Guidelines are applicable to all companies of the Group, regardless of their geographic location or activity.

Telefónica, S.A., in its capacity as parent company of the Group, is responsible for establishing the bases, instruments and the mechanisms required for proper and efficient coordination between this Company and other Companies that make up the Group. All without detriment to or any decrease of the capability of autonomous decision corresponding to each of these Companies, in accordance with the social interest of each one of them and the fiduciary duties the members of its management bodies maintain towards all their stakeholders.

3. GUIDELINES FOR ENERGY MANAGEMENT

All Telefónica Group companies undertake to:

1. Apply **continuous energy improvement** across the entire Company, through the systematic assessment of performance.
2. **Set targets** for energy consumption and carbon emissions on a global and local level, and provide the resources required for their achievement.
3. Move forward in the use of energy from **renewable sources**.
4. Establish common standards of energy management, share best practices and gradually implement **energy management systems** that contribute to reducing their consumption and optimise the efficiency of processes.

Global Corporate Ethics and Sustainability Department

5. Ensure compliance with **current legislation** pertaining to energy and other commitments to which the organisation subscribes.
6. Gradually incorporate criteria for the internalisation of the cost of energy and carbon, such as the Total Cost of Ownership (TCO) as well as the measurement of emissions in our supply chain. Actively collaborate with the **supply chain** in order to promote moving forward in our commitments and energy standards.
7. **Communicate** this policy and the energy performance of the Company, as well as having our performance verified by an external entity.
8. **Cooperate** with other entities towards a low-carbon economy, i.e. through the exchange of good practices within the industry.
9. Foster greater **awareness** and commitment around consumption and energy efficiency.
10. Utilise the **potential** of **digital** innovation and the investment of resources in the improvement of the network to promote energy efficiency and the reduction of emissions among our partners and customers.

4. IMPLEMENTATION

The Global Corporate Ethics and Sustainability Department will, together with Global Resources department, be responsible for leading the implementation of these Guidelines.

5. ENTRY INTO FORCE

This standard shall come into force on approval by the Board Directors of Telefónica S.A.