



## ABOUT THIS REPORT

# Report boundary and structure

*The data that appear in this Report, published annually, describe the evolution of Telefónica, S.A. in terms of corporate sustainability*

To compile this publication, Telefónica has an online system to coordinate and consolidate the information received from each country for each of the qualitative and quantitative indicators. This mechanism allows analysis of each of the Company's countries of operation in a comparable, weighted and measurable way and the use of these data as a management tool.

The Annual Sustainability Report describes the scope of the operations of the Group with clarity. Apart from this publication, Telefónica also publishes local information on sustainability in its most material markets: Germany, Argentina, Brazil, Colombia, Ecuador, Mexico, Central America, Peru and Venezuela. In addition to the local publications, a complete breakdown of all the corporate data by country is presented on the platform <http://Atlas.telefonica.com>

Telefónica, S.A. is basically divided into four large operations departments from the point of view of serving its markets: Telefónica Spain, Telefónica rest of Europe, Telefónica Brazil and Telefónica rest of Latin America.

This is why we present the consolidated information for many of the indicators broken down in this way.

Although within Telefónica, S.A. there are some small companies whose activity does not fit neatly into these categories, they are not of sufficient size to be considered material, constituting only a small part of the Group by revenue, equity and workforce. Therefore, we

have decided that the consolidation perimeter for information relating to our operations included in this Report will refer only to telecoms service provision, so as to retain the materiality of the information and make it more comparable with other companies of our sector. In any case, all information relating to human resources will be consolidated for all Group companies, including the less material ones.

During 2013, the sales of 40% of the assets in Central America and 100% of those in Ireland and the Czech Republic were announced. With respect to Central America, the sale of the said shares package does not entail the complete de-consolidation of the companies, and so we are maintaining the region within the consolidation perimeter of the sustainability information. Regarding Ireland and the Czech Republic, while the sale has been announced, this is pending regulatory approval and the assets remained consolidated for financial purposes during the whole year. Thus we have decided to retain them within the consolidation perimeter of this Report, to make the information comparable to earlier years and allow the rates to be derived automatically from the relationship with other financial factors which have included these assets throughout the year, both in the Profit and Loss Account and the Balance.

The complete list of all companies that make up Telefónica Group has been published in *Annex VI: Principal companies of Telefónica Group* from the Financial Report that accompanies the present Report and may be found on the corporate website.

## Importance of Telefónica's core businesses in the perimeter of the Company

	Million €	% of total	Staff	% of total
T. Europe + T. Latin America	56,033	98.2%	107,742	85.02%
Rest of companies	1,028	1.8%	18,988	14.98%





By category, the origin of the information presented herein is as follows:

- **Corporate Governance and shareholders.** This comes from the same sources that compiled the information included in the *Annual Corporate Governance Report 2013*.
- **Economic and financial information:** This comes from the same sources that compiled the information included in the *Financial Report 2013*, audited by Ernst & Young.
- **Innovation.** This is consolidated through the corporate innovation department of Telefónica Digital, in collaboration with Telefónica R&D and Telefónica Global. The sources of the data in these chapters are the purchasing systems and are consolidated without application of any criterion of proportionality.
- **Customers.** This comes from the Telefónica quality control systems and those of the operations of Telefónica Latin America and Telefónica Europe. The total number of accesses of the Company need not coincide with the sum of the country-by-country accesses because for reasons of uniformity the corporate Management Control Department standardises some reckoning criteria for accesses. The standardisation criteria are given in the corresponding chapter.
- **Employees.** The numbers come from the HR management systems. This Report uses the concept of 'person' as opposed to the term 'employee' usually employed in financial reports. In those cases in which aggregated information is given, the number of employees is used as factor of proportionality. The section dedicated to this includes the entire economic perimeter of Telefónica Group, except in the chapter on Employee Health and Safety, where the rates reported only relate to the Group's telecoms businesses for easier comparison with other companies of the sector, because circumstances and legislation specific to the sector are envisaged in compilation (for instance, occupational diseases).
- **Environment and climate change.** The information comes from the departments of environment and operations in each country through online questionnaires and other computer support. The information is aggregated by simple summation and, in the case of climate change, the emissions factors of the GHG Protocol are taken into account.
- **Suppliers.** Derived from the contract adjudication system of the purchasing departments. The information has been consolidated without using any factor of proportionality, and is broken down

by country and line of business. This chapter includes the whole economic perimeter of the Telefónica Group. It is important to emphasise the difference between the data for *provisioning* in the aggregated accounts of the financial statements (according to the criterion of accrual and the consolidated accounting perimeter of Telefónica S.A.) and those for *purchases allocated* used in various sections of this Report, which refers to the purchases approved in the period, independently of the criteria for accounting and periodicity applicable to the expenditure.

- **E-inclusion** This information is from the quality control, operations and regulatory systems of Telefónica Latin America, Telefónica Europe, Telefónica Digital and Fundación Telefónica, as well as from the Social Innovation Reports published by the Company's CSR Department.
- **Social action.** The information is derived from the systems of management control and the patronage committees of Fundación Telefónica, ATAM and Telefónica S.A. and it is integrated with LBG validation in a single digital platform.
- **Exchange rates.** All the information in this Report is expressed in real euros, except where the contrary is stated. The exchange rates are the mean annual rates for each period and correspond with those used in all the financial statements published by the Company (balance, individual and consolidated profit and loss accounts), so as to ease understanding of the overall relationship between financial and non-financial variables.

**Exceptions to the perimeter**  
The data of some operators is not included when the percentage held by the Company is well below 50%.

- **China Unicom:** Telefónica has a strategic shareholding of 5.01%.
- **Telecom Italia:** Telefónica has a strategic shareholding of 10.50%.

Throughout this report there are links to further information, which provide more detail on certain matters covered herein. However, the information in these links is not an integral part of this Report.

For a deeper understanding on matters of corporate governance and financial performance of Telefónica, this Report refers to some part of the *Corporate Governance Report 2013* and the *Financial Report 2013*, supplementing the *Annual Report of Telefónica 2013*.



**Consolidation parameter by chapter**

		Core local businesses	Other affiliates	Corporate centres
<b>Driver of progress</b>	Our contribution to the communities: social cash flow	●	●	●
	Contribution to the public administrations	●	●	●
	Universal Service	●		
<b>Our approach</b>	Telefónica as a responsible investor			●
	Corporate responsibility and sustainability, as part of the Telefónica vision			●
	Corporate responsibility and sustainability structure in Telefónica, S.A.			●
	Materiality: focus on the key issues	●		●
	Stakeholder engagement	●		●
	Ethics and compliance	●	●	●
<b>Responsible management</b>	Customer satisfaction	●		
	Staff	●	●	●
	Working environment and commitment	●	●	●
	Training and talent management	●	●	●
	Labour practices			
	Attracting and retaining talent	●	●	●
	Fair pay and performance recognition	●	●	●
	Freedom of association and social dialogue	●	●	●
	Health and safety	●		
	Management of diversity	●	●	●
	Sustainability in the supply chain	●	●	●
Human rights	Respect for children's rights	●	●	●
	Commitment	●	●	●
<b>People</b>	Privacy: an open and secure Internet for all	●		●
	Freedom of expression	●		●
	ICTs for children	●		●
	More accessible services	●		
	Digital education	●		
	e-Health	●		
<b>Society</b>	The key role of telcos in constructing the digital world			●
	Innovation in Telefónica	●		●
	Digital inclusion	●		●
	Response to emergency situations	●	●	●
	Volunteers	●	●	●
	Social action at Telefónica	●	●	●
	Open future			
	Wayra	●		●
	Support for entrepreneurship			
	Talentum			●
Campus Party	●		●	
Think Big			●	
<b>Planet</b>	Green ICT and environment	●	●	●
	Environmental management in Telefónica	●		●
	Energy and climate change	●		●
	Electromagnetic fields	●		
	Green ICT services	●		
	Sustainable Smart Cities	●		
Environmental and global leadership	●		●	