



OUR APPROACH

Stakeholder engagement

At Telefónica we know that interactive communication with all our stakeholders, in person and online, helps us look for positive results for both our Company and the groups implicated.

215 online channels take the pulse of stakeholders' opinion, 29% of them in Twitter, 26% in Facebook and 19% in YouTube

In our day-to-day work we take active responsibility for talking about those subjects related to information and communication technologies (ICT) of most interest and concern to our stakeholders. This allows us to identify their relevance and impact, so helping us to find exact, positive solutions among all of us. To do this, we collaborate actively with different interested specialised groups (stakeholders) so as to improve this exchange. Among these are government entities, NGOs, consumers' associations, academics and scientists, employees and investors. Knowing which questions most concern the stakeholders of Telefónica is the foundation for the sustainability projects of the Company.

At Telefónica we have 215 online channels for the Telefónica, Movistar, O2 and Vivo brands for communicating with our different audiences (as at February 2014). Of these channels, 29% use the platform Twitter; 26%, Facebook; 19%, YouTube; and the rest, on other platforms, among which is Tuenti in Spain (26%).





The stakeholder groups to whom we pay closest attention in these processes of online dialogue are customers, employees, academics and students, and people connected to social networks in general. Among the priority subjects we should mention: new products and services; quality, provisioning

and customer service; children and the use of new technologies; the digital revolution and ICT in society and the economy; the CR report and social action.





The objectives we are pursuing at Telefónica with this dialogue are, above all: better knowledge of the opinions and expectations of stakeholders; offer of an agile and effective channel for customer service and incident management; providing more personalised information; establishing an emotional connection with them and improving their perception of us, so as to bolster our legitimacy when it comes to operating in the different markets.

Talking about the digital impact

To support and demonstrate the digital transformation of the Company, the online channels reinforced their contents and centered the conversation both on the new digital businesses (M2M or *Machine to Machine*, *Big Data*, *Cloud*, mobile advertising, digital security, etc.), and on their role as part of the solution to the great worries of society (education, health, social inclusion, energy efficiency, open government, etc.).

Stakeholders identified	Methodology for dialogue	Some examples of commitment and interaction
 <p>Customers</p>	Through the channels we establish at the moment of sale, and through customer services, monitoring of satisfaction, SDC, and through our services of Marketing and Market Research, fora, and trialling of our products and services in their facets of Sustainability and Corporate Responsibility.	http://www.movistar.es/particulares/atencion-cliente/ http://www.movistar.es/particulares/tienda/servicios-digitales/solucion-guru/ http://info.telefonica.es/es/servicio_defensa_cliente/html/ http://www.telefonica.com.br/residencial/atencaoaocliente/faleconosco/ombudman/ http://forum.o2.co.uk/ http://www.movistar.com.mx/Contacto-Foro-Conectados#ForoConectados http://www.movistar.com.ar/foro/web/guest/foro https://twitter.com/#!/search/users/Telef%C3%B3nica https://twitter.com/#!/search/users/O2
 <p>Staff</p>	Through the annual survey of all our professionals, which includes specific questionnaires on matters of sustainability, internal round tables on the Business Principles, various internal channels for allegations, the intranets of Telefónica and its affiliates and its blogs and Twitter accounts, as well as through all the fora for debate on training courses, online platforms, Yammer, etc.	https://twitter.com/#!/UniversitasTef http://www.observatoriocomunicacioninterna.es/Imagenes/ponencias/PresentacionTelefonica-EstrategiadeComunicacionInternaOnline.pdf https://portalsenior.telefonica.es/em/pub/a/index.html
 <p>Shareholders</p>	Through continuous meetings, both individual and collective, with institutional investors and analysts of the sector, as well as by online channels to learn which matters turn out to be most relevant to the investor community, especially ISR institutions and/or those with specific projects of responsible investment and signatories of the PRI.	http://www.telefonica.com/es/shareholders_investors/jsp/home/home.jsp http://serviciosaccionistas.telefonica.es/Registro.do?idioma=es http://www.telefonica.com/es/shareholders_investors/html/presentaciones/index_foros.shtml http://www.eurosif.org/
 <p>Suppliers</p>	Through the biannual supplier satisfaction survey, and the assessments of quality included in the different operators' quality control systems.	http://www.telefonica.com/es/suppliers/html/modelo_compras/como_ser_proveedor.shtml http://www.ecovadis.com/website/l-en/home.aspx



Stakeholders identified	Methodology for dialogue	Some examples of commitment and interaction
 <p>Industry organisations</p>	<p>We participate actively in fora and associations which debate the particular themes of Sustainability and Corporate Responsibility affecting our sector, with the objectives of improving measurement, standardising indicators and sharing best practices.</p>	<p>www.ctia.org/ www.etsi.org www.gbd-e.org www.gsm.org www.itu.int www.gesi.org/</p>
 <p>Governmental organisations</p>	<p>Dialogue can be classified mainly by geographical area, grouping different parties according to the scope of their activity: local, regional, national and global. Within each field of action we maintain a fluid dialogue with those responsible for telecommunications services, for innovation, for consumers, education, social policy, regulation, economic policy, etc.</p>	<p>www.weforum.org www.worldbank.org/ www.ilo.org www.who.int/es/ www.un.org/es/ www.eifonline.org web.oas.org/citel/es/Paginas/default.aspx www.rpd.es/</p>
 <p>NGOs (Non-governmental organisations)*</p>	<p>Agreements of collaboration and continuous dialogue. The following are our principal advisers on products and services developed by Telefónica for persons with some disability.</p>	<p>www.acnur.org/t3/ www.msf.es/ www.oxfamintermon.org/ www.UNICEF.org www.bsr.org www.centroregionalpmal.org/web-pacto/esp/index.php</p>
 <p>Specialist audience</p>	<p>The opinion of professionals in sustainability and corporate responsibility is very constructive for identifying items of materiality.</p>	<p>www.unglobalcompact.org/ www.cdproject.net/en-US/Pages/HomePage.aspx www.ghgprotocol.org/ www.globalreporting.org/ www.theiirc.org/ www.lbg.es/</p>

* Telefónica maintains relationships with local NGO's in each of the countries for all aspect.

RConversa is the Telefónica platform for open online dialogue with all members of its stakeholder groups

This trend was reflected in blogs like *Think Big*, Telefónica's Digital Hub, M2M, Telefónica Professorships Network, and Sustainability and Corporate Responsibility, as well as their accounts on the different social networks.

Likewise, the majority of the debates that were held during this past year on the online dialogue platform RConversa concentrated on the digital world. ICT in the area of health; education technologies in the new digital era; MOOCs; enterprise in the digital world; digital cities and open government, were the topics of some of the 13 debates organised.

In line with this digital evolution, in 2013, Telefónica promoted *#TheOpenAgenda*, an inter-sectoral project to communicate Telefónica's point of view about the concept *Be more open*, to show that the Company is being transformed into a Digital Telco, which acts differently, is more open, more agile... Telefónica also wants to strengthen its commitment to the openness of the web, data and innovation in support of the business objectives; to reach and influence the technology elite, the opinion-formers in the media, bloggers, developers, consumers...

We managed to get a big reaction with *#TheOpenAgenda*, which included support from key influencers in the industry, with articles by Tim Berners-Lee, the founder of the web; Mitchell Baker of Mozilla; Kathryn Parsons of Decoded and Bill Hoffman, of WEF.

Telefónica has already published its public stance on the new Internet ecosystem, in March 2014. The manifesto, entitled *A Digital Manifesto: An open and safe Internet experience for all*, underlines the political issues and challenges in releasing the full potential of the digital world for consumers, companies and the authorities, while it also offers 10 recommendations for improving consumers' experience on the Internet and prompting more investment in digital infrastructure.

In addition, it represents a chance to open up the debate internationally with official bodies, regulators, the industry and users, to define the public policies that need to be adopted in the new environment to drive development of the digital society and economy.

Tools for professionals

Telefónica employees have access to the website Telefónica and Communication 2.0, in which responsible use of social media channels is promoted, through recommendations for action, an online course and the Company Social Networks Policy.

Similarly, we encourage use at Telefónica of the Enterprise Social Network (ESN), whose aims are to talk about and drive our cultural transformation into a Digital Telco and bolster the commitment of our professionals to this change by making cooperation easier.

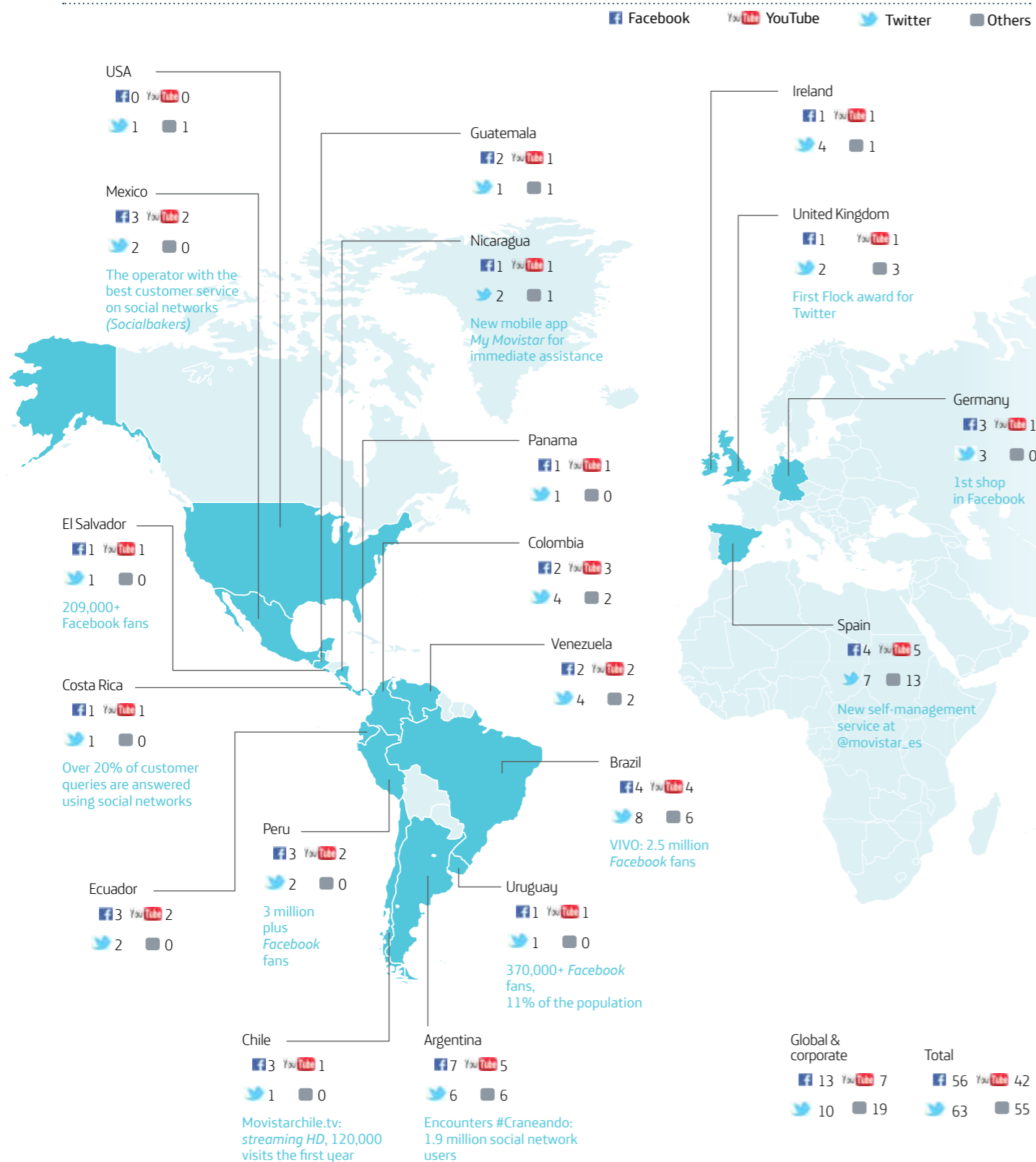
This internal network –Yammer– now has over 55,000 employees registered, with about 2,000 more joining each month on average. At the date of this Report Yammer had more than 400 active communities of interest in its principal network (Global).

These days, all the global internal communication channels at Telefónica are bidirectional, and harvest the opinions and evaluations of our professionals. In 2013, the most viewed items in the online daily bulletin were those relating to employee perks (offers, prize raffles, grants...) and the Company's organisation and results. The most viewed in the online corporate magazine was content about the Telefónica strategy to turn itself into a Digital Telco.

On another subject, knowledge transfer at Telefónica is based on eKISS, a platform that surpassed the figures of 62,000 documents held and 138,000 visits during 2013. The conferences held had around 18,000 visits.



Social channels of Telefónica



@RCySostleans an Corporate Responsibility and Sustainability blog and RConversa platform

During 2013 we added more information to the internal online platform on the subjects of public affairs and the role of ICT. Specifically, we included content on Public Policy, Regulation and Institutional Relations, aiming to have material of interest on the Company stance within a single tool for dialogue with stakeholders.

Milestones

@RCySost, is one of the most influential on Twitter in Sustainability.

In 2013, the Twitter account of Telefónica, which deals with matters of Corporate Responsibility and Sustainability, was included for the first time in the social media ranking SustMeme CSR & Business, which lists the 500 most influential users in the world on these subjects. Telefónica went straight in at number 78, being the fifth company. Also, in January 2014, it was in seventh position in the new ranking TOP 100 CSR, centered on Spain.

Throughout the year, it remained a point of reference in its field, exceeding 37.1 million impacts at the end of 2013 (10.3 million in 2012).

@RCySost is supported by the Sustainability and Corporate Responsibility blog and the debating platform RConversa.

Best practice

The most wide-ranging and exhaustive global survey carried out to date among young people from 18-30, from 27 countries:

What does the 'Millennium Generation' think?
Telefónica, in collaboration with the Financial Times, carried out the Global Millennium Survey in 2013,

The aim of the initiative was to obtain the most accurate possible snapshot of the Millennium Generation, for which more than 12,000 of its members were interviewed.

Some overall results

- 76% believe firmly in all that technology can offer.
- 42% say that improving access to quality education is the principal way to make a difference to the world.
- 42% of men and 29% of women think that technology is the most important field of study for their future success.
- 68% judge that they can become entrepreneurs in their own country or else develop and introduce an idea onto the market.