

RESPONSIBLE MANAGEMENT

# Labour practices: Staff\_

As a global company in a rapidly evolving sector, at Telefónica we have made an effort to put our professionals in the spotlight in order to adapt and transform ourselves to face new social and industry realities, and accelerate our conversion into a Digital Telco

Telefónica has employees from over 105 nationalities, distributed in 24 countries, with Latin America having the highest percentage

The telecommunications sector has been completely redefined in a short period of time: new business ecosystems have appeared that require companies to adapt and transform to their new environment. This urgent need for transformation is linked with innovation. Companies must implement ecosystems that promoted and favour innovation in order to ensure long-term success, which places more and more people at the centre of the business.

In response to these new realities, Telefónica has focused on managing employees in three clearly defined areas: design a simpler organization; have the best team; and have an appropriate company culture, capable of adapting to the changing needs of our clients. The three priority areas for the Employee department support the implementation of Telefónica's strategic transformation programme *Be More...*

### A simpler organization

At the end of 2013, Grupo Telefónica had 126,730 employees, with an average age of 39, of which less than 1% were managers. The workforce has increased by 4.9% in size compared with the previous year due to an effort to increase organizational efficiency with the objective of maintaining Telefónica's innovative capacity given the difficult environment that the sector is in.

At Grupo Telefónica we have more than 105 nationalities, distributed in 24 countries. Latin America continues to represent the highest percentage of the workforce. The country with the most employees is Spain with 34,604, followed by Brazil with 20,878, Argentina with 17,139 and Peru with 9,824.

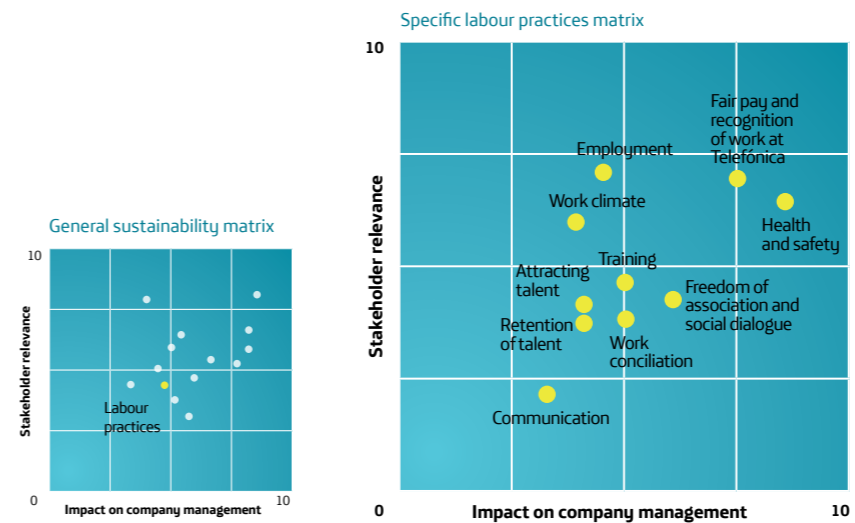
In Telefónica we make an effort to use sustainable work policies: 94% of the personnel have indefinite work contracts and the presence of women on the workforce has increased to 38%. Additionally, the number of female managers increases each year, reaching 21% in 2013, that is, 1.7 p.p. more than the previous year. In the last four years, this ratio has increased by over 4 percentage points. On the other hand turnover reached 21.31 in 2013 compared with 18.54 in 2012 excluding the effect of Atento.

Also, and as part of the simplification of processes strategy and in order to favour conciliation, we are promoting telework contracts, which already amount to 11,320, 166.1% more than in 2012.

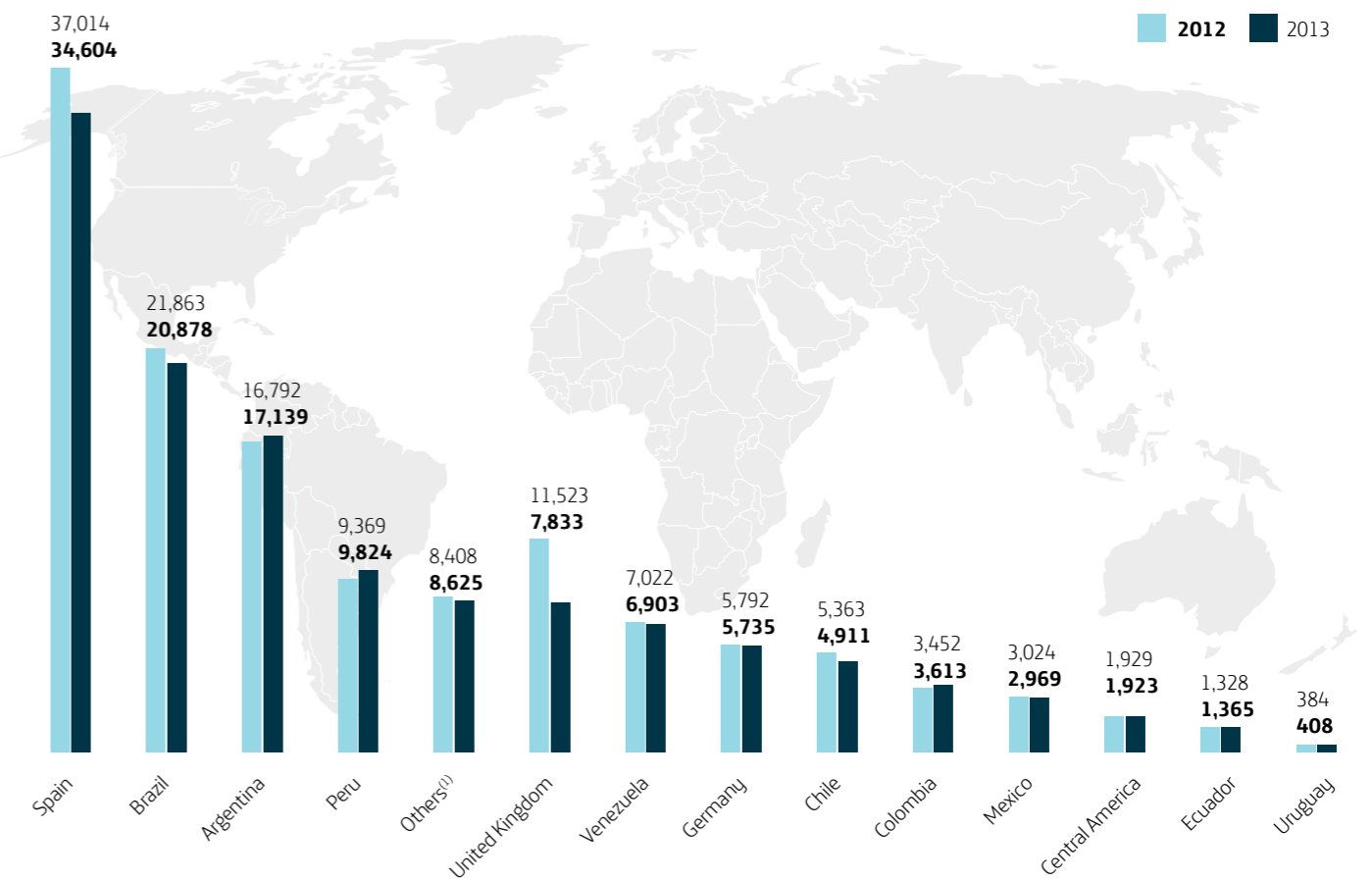
### The best team

The best team is achieved through development and recruitment of necessary qualities, according to the needs of the company, and ensuring proper attraction and diversity in hiring new talent.

## Materiality matrix



## Number of Telefónica employees in the world



<sup>(1)</sup> 'Others' includes operators from Telefónica in the U.S., Israel, Czech Republic, Ireland, Slovakia, Rest of Europe (the Netherlands, Luxembourg, Portugal, Brussels).



### The adequate culture

The best people are capable of achieving the best results if they share the same principles on how to do things and understand that each of them have an important role in achieving the objective of any organization, which is no other than achieving success and ensuring long-term sustainability.

In 2013 we have focused our efforts on transmitting the need for transformation to the entire organization, ensuring the employees' commitment and alignment to our global transformation programme *Be More\_*. For this reason over 200 *Be More\_* workshops have been held in 20 countries, with more than 120 trainers trained. In total, over 13,000 employees have participated in these workshops, with a satisfaction index of 9.2 out of 10.

### Challenges

- ➔ Upon defining the new Company structure, announced at the end of February 2014, one of the department's challenges will be achieving the best design of the areas in order to promote the transformation of Telefónica into a Digital Telco.
- ➔ Ensuring the globalization of Company management by establishing three world hubs: Madrid, London and São Paulo.

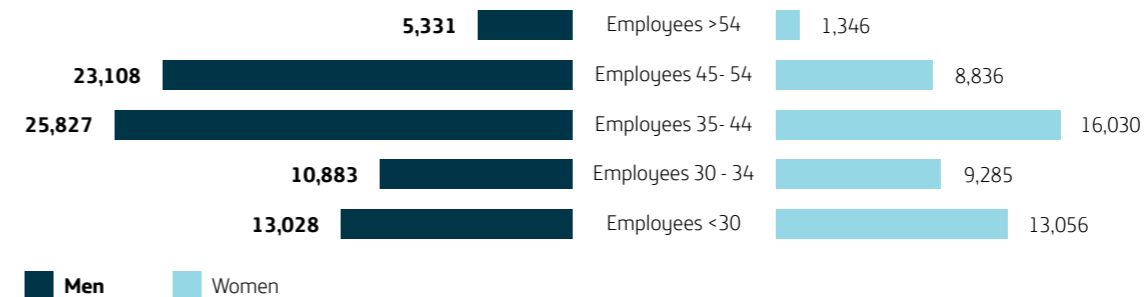
### Turnover\*

	2012	2013
Total turnover	18.54%	21.31%
Voluntary turnover	15.13%	15.75%

\* Entry of personnel into Grupo Telefónica + voluntary departures, dismissals, retirements or deaths x 100/average workforce in Grupo Telefónica in 2013 (not including Atento).



### Workforce distribution by age and gender



### Best practice

**BE MORE\_ Experience**, an initiative that started on January 27 and ended on February 21. The format was an MOOC (Massive Online Open Course) taught in four languages. A learning environment was created that encouraged participation allowing us to connect users from around the world, to a single learning and knowledge initiative. By overcoming five challenges, over 7,000 employees from around the world were able to experience the three attitudes, through comments, images, videos, and votes.

**Be More\_ TV**, a new communications channel that attempts to share with employees everything happening with the company with regard to *Be More\_*: programmes, actions, attitudes... but, above all, people.

The first *Be More\_ TV* programme was aired in January of 2014, although the idea for its creation was conceived in September. From the start it was conceived as a fresh, distinctive channel that would provide a different perspective on things. With the help of all the teams from Internal Communication and the participation of employees from around the world, *Be More\_ TV* has come to life and is now a reality. With improvised hosts, fictitious poker matches and spontaneous appearances from actors, there have already been many Telefónica employees who have participated in the programmes and many more wish

to volunteer to get in front of the cameras and talk about the Company's transformation stories.

The broadcast of the channel through Yammer, Telefónica's corporate social network, has the advantage of allowing direct interaction between all of the Group's employees, facilitating conversation and enabling viewing from any device (computer, tablet, phone, etc.).

The *Be More\_* programme has materialized itself in the transformation the company has experienced in its organizational structure. This organizational structure is a complete response to the 10 strategic priorities defined by the *Be More\_* programme. The objectives pursued through this new structure announced in February 2014 can be summed up in: increasing our income, modernizing networks and systems, increasing efficiency and strengthening our leadership in the digital ecosystem.

In order to reach these objectives, the company has decided to give local operators greater visibility, bringing them to the centre of corporate decisions, simplifying the global organization chart and strengthening transversal areas to improve flexibility and speed decision-making.

**Turnover**  
21.31%

**94%**  
of indefinite contracts

**38%**  
of the workforce are women

**126,730**  
employees in the world