

RESPONSIBLE MANAGEMENT

Labour practices: Working environment and commitment

Keeping our professionals motivated is essential for achieving a high level of commitment and an excellent service for our clients. Therefore we commit ourselves to align expectations and understand the problems and situations that can affect the work environment, which is fundamental for the increased sustainability of our company

Telefónica is among the Top 10 large companies in the world for offering its employees the best work environments

Toward the end of 2013 we launched the Climate and Commitment Survey, one of the most important tools that we have for learning the opinion of all of our employees on various aspects of the organization. Thanks to the results obtained we have been able to learn of and promote potential lines of improvement in each area that integrates Telefónica, S.A.

The last edition had the participation of 92,550 employees, which represents a 79% participation and an increase of over 10 points compared with the survey performed during the previous fiscal year.

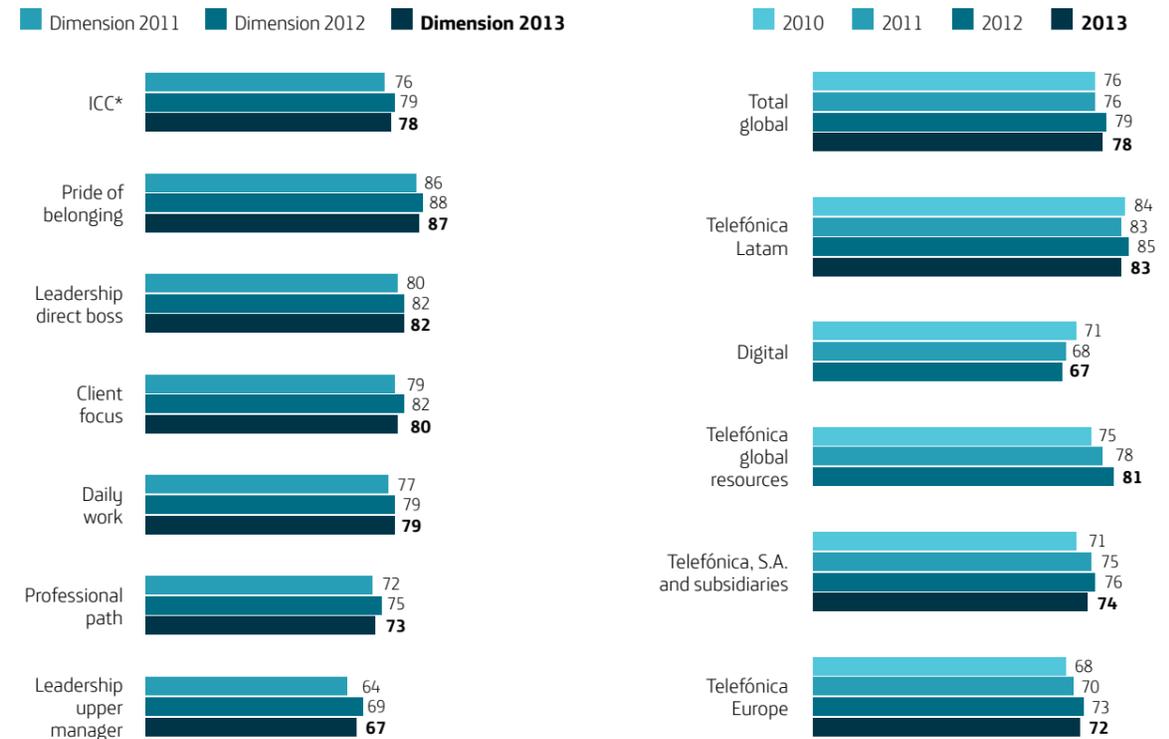
As a result, the 2013 Global Climate and Commitment Index (ICC) —which is uniformly applied in the Group— has remained high, reaching 77.7%. It should be noted that the most strengthened aspects are image and pride of belonging, by 87%, as well as the dimension of leadership by the direct supervisor, by 82%.

With these results an analysis has been made following the Employee Effectiveness Framework, where two variables are combined: commitment and preparation. This allows us to perform a departmental study and thus implement specific measures for improvement, to result in an increase in employee satisfaction, focusing on each variable based on the result obtained in the department. At Telefónica we know that the actual benefits of performing surveys on Climate and Commitment are produced when employee feedback becomes actual actions.

Great Place to Work® (GPTW)

In 2013 Telefónica once again occupies high positions on the best places to work lists, that are drafted by the Great Place to Work® (GPTW) institute, being the international benchmark with over 25 years of experience in the analysis and assessment of work environments. To perform its rankings, the institute takes surveys on the work climate among employees and analyzes the

Result of the global survey on the work environment



(*) ICC: Global Climate and Commitment Index.

management practices and policies of individuals from the companies.

Being for the third consecutive year among the 20 best multi-national companies in the world to work for (No. 16), this is undoubtedly a privilege, but also a challenge for Telefónica: to show on a daily basis that we are deserving of this award.

Telefónica Spain Top 10 of the 100 best companies to work for in Spain

VIII Edition of the MERCO Study People, Business Monitor of Corporate Reputation.

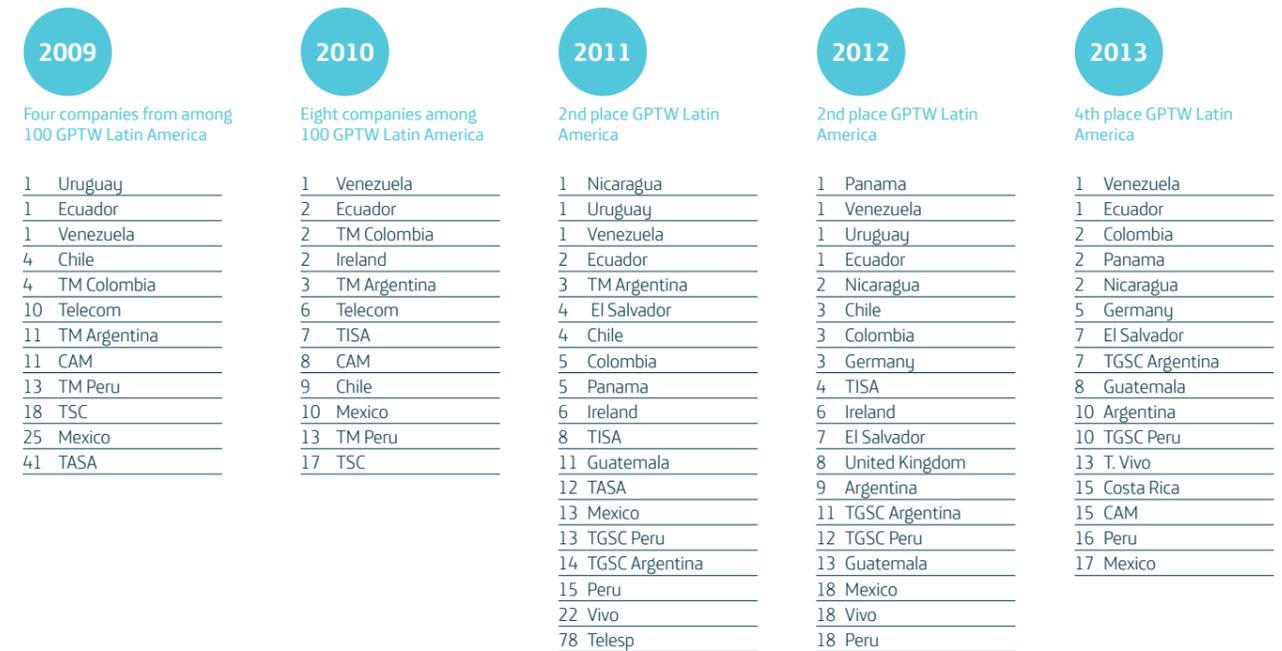
Along this same line, during 2013, Telefónica España continues to be in the TOP 10 of the 100 best companies to work for in Spain, occupying eighth place on this list, according to the information in the VIII Edition of the MERCO Study. People, Business Monitor of Corporate Reputation, an institution that performs a study every year.

The study considers the reputation of a good company to be based on three values: employer brand, internal reputation and work quality. Telefónica has good assessments in the three scopes, but it is in the last where we show our greatest strength, acknowledging ourselves in the market as one of the companies with the best working conditions.

The methodology of *MERCO Personas* present the assessment from different opinion groups like university students about to finish their degrees, business school students, the general population, experts in human resources or workers.



Comparison of participation and ranking development over the last five years: Great Place to Work



Telefónica has been externally acknowledged for its reconciliation in the United Kingdom and Germany

Reconciliation

Telefónica UK: Mumsnet acknowledgement of our family friendly policies. Silver accreditation.

Telefónica United Kingdom has been recognized in 2013 with the Mumsnet silver ranking for the second consecutive year. Mumsnet is the largest *online* network in the United Kingdom for parents, generating 60 million page views and 10 million hits per month. Mumsnet invites large companies to join its *Family Friendly* programme. Under this plan companies can highlight the internal actions implemented in relation to maternity/paternity leave, *flexwork*, etc....as well as, if relevant, what products and services they offer to families. The awards were created to acknowledge companies for their contribution to family friendly policies with bronze, silver and gold categories. The assessment is based on the internal analysis of family friendly practices and through *secret shopper* actions by the team of Mumsnet users, which cover criteria including customer service, quality-price relationship,

human resources policies, training and how the companies communicate their family friendly policies to their employees.

Power Part Time List. Milica Gay named in the Top 50

The Power Part Time list is managed by TimeWise Foundation. The TimeWise Foundation, is formed by three companies: Women Like Us – a social company that supports women in reincorporating themselves into the work world after the maternity period, especially for part-time employees with employers that value their skills and experience - TimeWise Jobs (online leader in the United Kingdom for job searches dedicated entirely to temporary jobs and 'flex' jobs) and TimeWise Recruitment, a temp agency for candidates with experience looking for workplace flexibility.

The Power Part Time list comprises 50 business leaders selected from a wide range of candidacies and reflects key selection criteria:

- Age. It challenges the idea that part-time work is only for junior roles.
- Inspiration. Stories that open new roads or which through personal interest are a model to be followed by others.
- Success. Evidence of advancement or significant achievement since starting part-time work.

Milica Gay, employed in Telefónica United Kingdom, appears on the Power Part Time 2013 list. Milica manages a series of projects at Telefónica in the United Kingdom, being responsible for the launch of products and joint ventures worth millions of pounds. Admitted to O2 (Telefónica United Kingdom) in 1999, initially working in the Mobile Banking Area, having started her degree in a postgraduate programme of Lloyds TSB. As the mother of three children, Milica works part-time, in order to spend more time with her family while handling her professional concerns.

Telefónica Germany: 'Beruf und Familie' Audit and certification

Telefónica Germany has a certificate for its family human resources policy (called 'Beruf und Familie'). The certificate is granted by the *berufundfamilie* Service GmbH, under the sponsorship of the German Ministry on Family and Economy. It is an accredited seal of quality for staff policies regarding family. The audit is based on interviews with employees, managers, as well as the company committee. The reconciliation of family and work is an important, thus Telefónica Germany wishes to be measured. In general, the award also acknowledges, the development of diversity and aid to critically reflect on existing measures. This certificate, also is positively influencing the position of Telefónica Germany, on the ranking prepared by the Great Place to Work institute.