

RESPONSIBLE MANAGEMENT

Labour practices: Training and talent management

Talent is a global asset, and the development of our personnel is a basic pillar on which to build the sustainable transformation of the company and attain digital leadership. Our experience shows that development plans have a positive impact on the motivation, commitment and loyalty of employees, as well as their productivity

During 2013 more than 2.9 million training hours were given in the Group

Training and staff development in Telefónica is included in a cycle that begins with setting objectives, continuing with the assessment of performance and finishing with the design of a personal development plan.

During 2013 over 2.9 million hours of training were given in the Group. Training opportunities at Telefónica are structured by means of different tools: classroom training (Universitas and specialised courses) and *online* training (*e-learning* programmes).

At a local level, individualised training plans are devised, generalising the use of the 70/20/10 methodology, where we encourage training and development techniques like swapping jobs, international mobility, project-based work in groups, and mentoring schemes as alternatives to traditional classroom-based education.

The term '70/20/10 methodology' means that 70% of training should be received in the workplace, through real problem-solving experiences, this being the most important aspect of any development plan. Another 20% of the development comes from feedback, observation and role exchange. And the final 10% comes from formal education in courses and classroom learning.

The model used by Telefónica Spain allows the creation of a dynamic Training and Development Plan, which is adjusted during the whole year, yielding much better responses in time and form to business needs.

The process of training puts special emphasis on the needs of each department, to support all the initiatives of transformation, internalisation and simplification which are identified, and this allows us to advance with the transformation process in the Company.

In 2013, over 9,000 employees were trained within the transformation training framework at Telefónica Spain, and more than 290 courses and 183,996 hours of classes were given. The students' evaluation of the perceived quality of the courses was eight out of ten.

Among the most relevant initiatives, with the biggest impact on the organisation, was the new territorial model for the call centres and the new network supervision assistance model.

Similarly, the Telefónica Schools were launched, which cover material organised into six areas: Leadership, Finance/Legal, Technology, Sales, Languages and Internal Teachers. In addition, the whole training management model has been integrated into the same platform that supports the schools.

In Latin America, the *Digital Race or Marathon* initiative was launched, within the overall project to make employees more digital, and its objective is to speed up the transformation of Telefónica into a Digital Telco, giving our collaborators access to the Internet and smart devices, generating digital experiences for training purposes and promoting the use of digital services and tools.

The *Digital Race* is a voluntary, fun activity that takes place on the platform Yammer, and in which collaborators from each country form teams to take on different challenges that give them a chance to show off their knowledge and skill with digital tools.

During 2013, a total of 2,607 collaborators from different countries of Latin America participated in this initiative, helping to drive digital culture forward in the region, and to show our people that they are the leaders of the digital revolution that is on-going in our industry and the world.

Yammer has also established itself as a tool for global collaboration within the Group. This technology (*Enterprise Social Network*) is provided to our employees to facilitate transversal collaboration, allowing the sharing of information and knowledge contributing to the transformation of processes in our company. It is open to all employees in every market and they can create international online communities as they wish.

Universitas Telefónica

Universitas Telefónica is the meeting place for our professionals, where they live and breathe the culture and values of Telefónica, while they share concerns and points of view in training programmes. This initiative comes out of our commitment to the training and development of our professionals.

Thanks to the programme design, we reached the figure of 4,610 employees trained in 2013, or 64.8% more than in 2012, with 55% of the teachers being Telefónica staff, compared to only 5% in 2011. In total, there were 43 editions of 12 programmes:

Milestones

- We launched *Universitas Offshore* for in-person training at off-campus locations: China, the United Kingdom, Ireland, Brazil, Peru and Germany.

→ We achieved the highest number of participants in the history of Universitas Telefónica (4,610 employees), in addition to a reduction of 2% in our budget, thanks to the collaboration of internal speakers. We have speakers from the Executive Committee, internal coaches, managers and sponsors. In 2011, only 5% of our facilitators were internal, while in 2013 we reached 55%.

→ We achieved better ratings than ever: 4.6 out of five, for average rating of the programmes, and 4.8 out of 5 for the overall campus experience.

→ *Leadership For Change*

→ *Leading Self*

→ *Leading High-performing Teams*

→ *Global Professional Skills. New*

→ *AMP. New*

→ *Engaging Realities*

→ *Customer Focus*

→ *Global Management Programme*

→ *Innovation & Creativity*

→ *Postgraduate Course in Business Telecoms*

→ *English Week*

→ *Spanish Week*

Universitas Telefónica was a winner of the VIII Garben Training and Business Awards, in recognition of its role as the meeting point for the Company's best professionals, not just from Spain, but from all our European, American and Asian teams.

The Garben Training and Business Awards were instituted in 2005, with the aim of recognising and stimulating the efforts made to improve the skills and capabilities of workers. These prizes

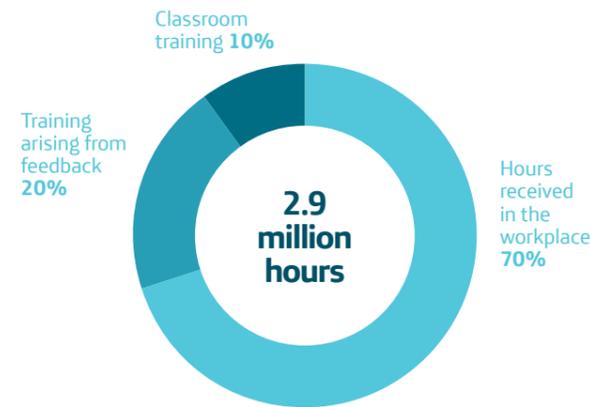
30,554,188
Euros: total spending on training in 2013

2,983,665
Total hours of training

23.54
Training hours per employee

Staff training*

* Calculated using 70/20/10 methodology



Training hours/employee

Spain	31.5
Germany	30.2
UK	9.4
Argentina	28.2
Brazil	8
Chile	31
Colombia	24.4
Ecuador	47.9
Mexico	11.8
Peru	7.8
Uruguay	34.7
Venezuela	18.9
Cent. America	20.7
Others	45.7



During 2013, we had 176,429 students and 460,320 registrations for training actions

underline the work performed by institutions, companies and individuals of different categories related to continuous training.

Corporate e-learning (a+)

The e-learning range is a fundamental lever of training that aims to boost the digital development of our professionals with a more dynamic and collaborative training model, with a single access for all users, and which emphasises students' self-development.

Principal e-learning achievements in 2013

- New tools were put into service that allow broader management of in-person training (classroom and speaker logistics, validation of inscriptions, permission for training managers to include ratings or close events), an improvement in the display of student profiles (showing data such as who registered them for the course and

who their manager is), and course availability data (colour codes to denote numbers of free places).

- Consolidation of the e-learning model, with 47,109 unique users and 382,982 accesses in the corporate schools. The number of unique users grew by 62% over 2012 (29,017).
- Implementation of:
 - The **Spanish School**, which went from 13,882 accesses at its launch in July to 23,240 in December.
 - **Design and implantation of** global content of strategic utility for the whole Company, like *Get to know Telefónica and the telco sector*, which combines the content of *Get to know Telefónica and Engaging Realities*.

During 2013, we had 176,429 students, 460,320 inscriptions in training activities and 1,305,729 hours of training, representing an increase in penetration of over 98% compared to the results of 2012: that is, in 2013, the number of students who benefited from a+ training activities doubled, thanks to the rise in the use of the platform in regions such as Latin America and Europe, with nearly 25,000 inscriptions more than in 2012.

The data show that user interest has shifted significantly towards synchronised in-person training by means of the a+ platform's Virtual Classroom tool, which accounted for 98,528 hours in 2013, an increase of 91,266 hours over 2012.

This, allied to excellent results in the number of hours of training received through the resources of the corporate schools (176,350 hours), indicates a change in user preferences towards more immediate, individualised and up-to-date training.

Talent management

Talent is a global asset, and at Telefónica we boost it through benchmark training programmes, promoting diversity and facilitating ways to achieve a work-life balance. Developing the talent of our employees, giving them opportunities of personal and professional development, and supporting their personal growth constantly with the distinctive opportunities at Telefónica.

The evaluation of talent lets us have a map of the management talent of the whole Company, as well as a structured succession plan. This is a fundamental tool of differential management and boosts a meritocratic culture which should facilitate decision-making on aspects such as development, organisation, pay, etc. In 2013, the talent of more than 80% of all managers was assessed.

'Universitas' and 'e-learning' training programmes

176,429 e-learning students

460,320 registrations for training activities

382,982 'e-accesses' to corporate schools

4,610 employees were trained in 2013

43 editions of 12 programmes



e-learning is the lever to boost the digital training of all our professionals

On a different track, the evaluation of competencies we are driving for over 23,000 staff at Telefónica Spain should also be noted. This process encourages the transformation programme *Be More_* evaluating the attitudes we want in the Company (*Discover, Disrupt and Deliver*) for the entire workforce and also assessing the business competencies of those groups following professional careers. The process starts with a self-evaluation by each person (86% of these completed), and an evaluation by each manager (93% completed), concluding with an evaluation interview between the manager and collaborator (82% of these were completed). This initiative encourages communication, conversations about development and feedback, between managers of people and their teams.

Awards

2013 Best Companies for Leadership or BCL
The BCL assessment classifies the best companies in terms of leadership, looking at how they encourage talent and innovation. In 2013, research was carried out among over 18,000

employees of big companies all over the world (137 of them from Telefónica). Participants were asked to identify three companies, of any size or sector, at which, in their opinion, leadership in the organisation is best developed. In the 2013 study, Telefónica was ninth in the world and seventh in Latin America.

Telefónica Spain

Idealab Innovation Programme
Telefónica Spain continues to boost the spirit of innovation among its staff through the programme *Idealab* which gets public awards year after year. On this occasion, it was through the TVE (Spanish state broadcaster) programme *Aquí hay trabajo* (There's work here), which dedicated part of its item *Intraemprendedores* (Between entrepreneurs) to *Idealab*, highlighting the involvement of Telefónica's professionals, who, encouraged by the Company to which they belong, develop innovative projects and receive a prize.

The (*Idealab*) programme has the structure of four challenges, in four batches during the year. The objective of the challenges is to help the

Group meet its strategic targets, and they are aligned with the real situation of the Company. The ideas proposed are evaluated by the selection committee and the finalists defend them in oral sessions which take into account aspects like originality, business impact, strategy and viability.

Cegos Award for the 'A better business team' initiative

For Telefónica Spain, people have always been a priority and so in 2009, the initiative *A better business team* was launched, aiming to convert all employees into ambassadors for our brand and Movistar products, boosting pride in belonging to the Company, and rewarding employees for their commercial effort.

Telefónica Spain received two prizes for this initiative in the IV Edition of the Cegos and E&T Awards 2013, for the *Best HR Practices* in

the category *Organisational Management and Consultancy* and also a distinction in the Retail Sector. The real protagonists of the success of this initiative have been Telefónica Spain's own professionals, who are acting as the best ambassadors for our brand at the personal level, and have increased the satisfaction and loyalty of customers.

With this award, Telefónica Spain is acknowledged yet again as a benchmark for projects that add extra value in the marketplace.

The creation of a talent map for the Company is fundamental in boosting the meritocratic culture

Best Practice

The strategic focus on the digital development of our employees means that training is more dynamic and collaborative, that it is better organised, that it has a single access for all users and encourages students' self-development, while in addition it simplifies the entire training process.

TEDx Telefónica São Paulo

In 2013 the second TEDx Telefónica event took place. While the first edition was in Madrid, this new round took place in São Paulo. For Telefónica, this experience was an opportunity to gather the workforce community under a global transformation initiative, by means of knowledge and dissemination of ideas. Innovation, proactivity, technology, teamwork, responsibility and growth were the keys to the presentations at TEDx Telefónica São Paulo.

Under the banner *Opening up to all the possibilities of Technology*, the agenda for the session was divided into four blocks of talks. *Citizen access: service evolution and social impact; ¿What is novelty and how does it arise? Creativity as instinct and exercise; Technology and development: a tool for our generation and finally, Current issues: What makes today's world stop and start?* The speakers at TEDx Telefónica were chosen mainly from the employees themselves, who made their own conference proposals to share with the rest of the Company, nine of Telefónica's local employees in São Paulo having been chosen.

In its 2013 edition, TEDx Telefónica São Paulo had 100 live participants and over 3,200 online connections.

In 2014 there will be a new edition, this time in London: TEDx Telefónica London.

Smart Week

Smart Week, also known as Innovation Week or Be More_ Week, is a massive event for collaborators in which voluntary workshops are offered on subjects such as creativity, innovation, entrepreneurship, the digital world, technological advances and marketing.

The initiative was created seven years ago in Argentina, and since then it has also been held in Spain and other Latin American countries like Colombia, Uruguay, Venezuela and Chile.

Each operator combines this initiative with other activities like *Torchbearers of Innovation*, workshops for generating ideas, ideas banks (Eureka), *I-Tours*, schools of innovation and creativity, ideas competitions, and so on, in such a way that the different programmes are integrated into models of innovation that encourage collaborators to offer ideas that will improve the way we do things, and to propose new products or services that will generate value for the business.