

RESPONSIBLE MANAGEMENT

Labour practices: Attracting and retaining talent_

Finding and attracting talent is a high priority at Telefónica. The innovation strategy backs ideas, young talent and enterprise

Attracting talent

Telefónica aims to attract young talent, which is indispensable in a sector as dynamic as ours. So, during 2013, within the Talentum programme, 5,700 under-30s were hired across the Telefónica Group, and the criteria for selecting them included their ability to anticipate the challenges of change, their interest in the customer and their ability to work in teams.

Into Talentum Universities, Telefonica Spain and in collaboration with the Foundation SEPI has a long-term fellowship program duration, 12 months, aimed at young graduates university up to 30 years of age facilitate their integration into the labor market, through practical training. The fellowship is developed in Telefónica Spain with a possible later incorporation into the company as permanent employment if their practical training is satisfactory. So far I have made 96% participants performed in 2013, 557 hires.

In 2012 Talentum Universities granted 569 fellowship while in 2013 were 217. At the end of the 2013 edition, Telefónica hired 557 fellowship in 2012.

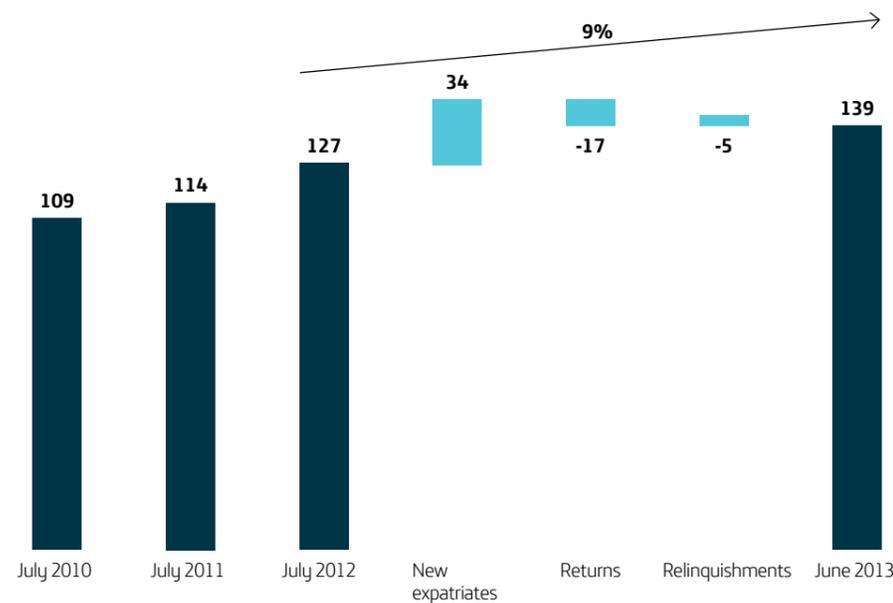
Likewise, and aiming to attract digital profiles and fill posts in the area of technology and marketing, we launched two digital talent search platforms in 2013.

→ **'Digital Jobs' external portal.** All the vacancies of the Telefónica Digital division were accessible online. 120 specific profiles were hired for the Telefónica Digital division.

→ **'Digitalent' internal portal.** This is the first global website with listings of internal vacancies at Telefónica Digital, and also has the vacancies at Telefónica Europe and access to the global website of vacant posts in the whole Group. The site is being used by the global recruitment teams. It also includes sections on CV improvement, and on techniques that can be used at job interviews.

During 2013, Telefónica contracted 5,700 young people under 30 years of age

Growth in international mobility of employees



Internal transfers

	Current	Accum. mobility
Global/Long term	156	213
Global/Short term	22	58
Development Short term	92	260
Subsidiaries	2	14
Graduates	2	26
European Rotation Programme	18	28
International Rotation Programme	70	192
Permanent moves 2013	162	207
International transfers	71	99
International new hire	8	18
Local	83	90
Total	432	738

International mobility gives people the knowledge the Company needs to be a global organisation

Retaining talent

In 2013, we consolidated the global target fulfilment measurement model, distinguishing between performance and potential, and combining it with variable incentives. The performance model not only evaluates compliance with objectives (What) by both the Company and individuals, but also the How of their achievement, and in 2013 we used the Three Ds defined in the transformation programme Be More_ as elements in the evaluation:

- **Discover.** We have always been aware of the importance of being centered on our customers. But now, in the digital world, this is the moment to discover what they need.
- **Disrupt.** We are ready for change and constantly looking for new ways to better harness our knowledge of the digital world and our spirit of openness. Disrupt means to improve the rules of the game so as to generate more value for our customers and for Telefónica.
- **Deliver.** We take full advantage of our global presence while remaining agile, letting us keep our commitment to take technology to people.

In 2013, over 80% of managers were evaluated following this model.

Currently we are undertaking a process of Management Review for all managers so as to give us a global picture of our talent, and which will

be the principal source of information for taking decisions when it comes to internal promotion.

Talent mobility

For Telefónica, international mobility is a critical issue, to guarantee that the workforce has the knowledge and capabilities necessary to tackle the challenge of converting the Company into a global organisation. Mobility not only consolidates the feeling of belonging to one single company; it also helps to develop leadership capacity and store up experiences which will facilitate intercultural understanding and collaboration. These are qualities of particular utility when it comes to taking on international acquisitions, negotiating alliances or opening up new markets.

During 2013, Telefónica implemented a uniform international mobility policy in the whole Group, offering an international professional career to employees and helping to attract and retain the right people.

This policy includes four international mobility options: Global Long Term, Global Short Term and Development Short Term, which have been designed for temporary international transfers. International Local Hire has been designed for permanent transfers from one country to another. Each option has its own independent access requirements, duration, remuneration and benefits packages.

Awards

Telefónica Global

2013 Fortune's World's Most Admired Companies or WMAC

Telefónica is the most admired non-US company in the Telecommunications sector.

For the last 16 years, Hay Group has been collaborating with the magazine Fortune to identify and classify the most admired companies in the world. To compile this ranking, interviews of over 15,000 managers and financial analysts from 687 selected companies in 30 countries were carried out, so as to find out which company has the best reputation within each sector. The analysis takes nine attributes of reputation into account.

Telefónica was top-ranked among non-US telecoms sector companies in 2013, having improved since the previous year in the category of Attracting and Retaining Talent.

National Apprenticeship Awards - Regional Winner: Macro Employer of the Year

These awards acknowledge excellence, both at companies which increase their own talent pool by using apprentices, and by apprentices themselves who have made a significant contribution to their workplaces.

Telefónica was the regional winner in the Thames Valley as Macro Employer of the Year for our Talentum programme. In recent years we have offered an apprenticeship scheme which was mainly a small technological niche programme based in the operational area of our business.

However, in 2012 we put our new Talentum initiative into effect, which integrates the apprenticeship programme into a much broader project that offers multiple career choices for new and promising apprentices. With the creation of our Talentum programme, we have improved our earlier scheme, focusing it on other business areas of the Company such as sales and service. This has also given us the chance to explore joint businesses, by including the apprentices within our Tesco Mobile team. These fundamental changes have given rise to a growth of 300% in our number of apprentices since the start of 2012.

Telefónica was top-ranked in 2013 as the most admired non-US telecoms sector company