

## RESPONSIBLE MANAGEMENT

# Labour practices: Freedom of association and social dialogue

*Our Business Principles include the right for employees to belong to the trade union of their choice and we do not tolerate any kind of reprisal or hostile action towards those who participate in union activities*

There was major progress in 2013 in collective bargaining, based mainly on meeting the strategic targets set

## Collective bargaining in Europe

Telefónica Europe has a European Works Council (EWC) which informs and consults the employees to promote dialogue and exchange opinions on transnational matters. Each Operator Business (OB) has a specific number of workers' representatives chosen specifically. They are selected in accordance with the law or practice in their respective countries. From among those nominated, the EWC chooses a Chairman, at present Christoph Braun (Germany), and a Secretary, a post currently held by Angie Prangall (UK). The European Works Council has 10 workers' representatives: one in Ireland, five in the UK and four in Germany.

Furthermore, the European Works Council appoints 5 people to a Special Committee (SC). This Special Committee meets with Telefónica's Central Committee in order to discuss matters of greater urgency, such as the preparation of a new agreement for CER after the expiration of the existing one. The European Works Council meets every 6 months to discuss transnational issues and all matters raised through Telefónica Europe. These are generally to do with changes of organisation and structure, the economic and financial situation of Telefónica Europe, the introduction of new working methods and technologies, fusions, transfers, workforce reductions, or social and human resources policy, including health and safety and equality of opportunity.

## Collective bargaining in Spain

During 2013, there were important advances in collective bargaining based mainly on compliance with strategic targets set by the Company on the adoption of efficiency measures, raising productivity and controlling labour costs, within the framework of dialogue and social partnership. Among the most significant challenges with impact on the Company strategy are:

## Telefónica Spain (TdE)

In the first quarter there was a modification of the current Collective Agreement (2011-2013) by which the Company and employee representatives signed an accord to extend the Collective Agreement 2011-2013 to 31 December 2014. This accord permits progress in the transformation necessary within a framework of work stability, a key aspect of the negotiation process guaranteeing, on the one hand, a pay rise of 1% for 2014, and on the other, a reduction in labour costs through the suspension for 15 months of the contribution to the Pension Plan and Life Assurance Policy, and a better fitting of the Social Funds to the current workforce. Through these measures, progress has been made towards the efficiency and productivity targets.

In this same context, the conventional commitments of the current Collective Agreement were met, and important agreements were reached with worker representatives on aspects which were key objectives for the Company:

- Shift modification agreement for the SME Call Center.
- Approval of the Functional Mobility Agreement, to meet the need to adapt the current Professional Classification model to define the organisational spaces, the procedures and criteria applicable for developing functional mobility in our Company.
- *The Availability Regime for Customer Service in Operations and Network* has been modified to meet the strategic productivity and efficiency targets that let us maintain stable employment all over the country.

Likewise, during 2013 the Agreement reached with workers' representatives on the ERE (redundancy plan) 2011-2013 concluded its life. During its period in force, this system offered Telefónica employees the possibility of accepting voluntarily the conditions for leaving

the Company envisaged in the Social Plan, always following the principles of willingness, universality and non-discrimination. Thus, in 2013 the total agreed number of redundancies (over 6,800) for the authorised reduction in employment was finally attained. Similarly, and during the period of validity of the ERE, the commitments to create employment laid out in the Social Plan itself were surpassed, with a total of 950 hires.

## Telefónica Móviles España (TME)

In April 2013 the VI TME Collective Agreement, agreed by the majority of the worker representatives, was signed, and it aims to:

- Give TME its own legal personality, providing a stable work framework in the short/medium term, with guarantee of employment.
- Align the industrial relations framework at TME towards convergence/integration with TdE, by adapting the professional classification model.
  - A classification model for jobs based on notional standard types.
  - Formalisation of principles of action of the future TE classification model.
  - Incorporation of TME sales staff to the converging sales career track.
- Adapt of salaries by containing and rationalising salary costs (suspension for 15 months of the contribution to the Pension Plan)
- Progress on converging working conditions.
- Progress on matters of work-life balance (age of minor entitling employee with legal responsibility for same to reduced working day raised to 12).

## Telefónica Soluciones (TSOL)

Along the same lines, in 2013, the TSOL Agreement was signed, by which, together with the measures to contain and rationalise salary costs (suspension for 15 months of the contribution to the Pension Plan), measures to guarantee employment were adopted, and the equal opportunities plan was agreed along with a protocol to prevent bullying and sexual harassment of Company workers.

## Collective bargaining in Latin America

Along the same lines, in 2013, the TSOL Agreement was signed, by which, together with the measures to contain and rationalise salary costs (suspension for 15 months of the

contribution to the Pension Plan), measures to guarantee employment were adopted, and the equal opportunities plan was agreed along with a protocol to prevent bullying and sexual harassment of Company workers. During 2013, and just as in the other regions, work on ensuring a stable work framework took place in the collective bargaining process in all the companies. The principal achievements of 2013 are:

- Colombia: elections for Company and worker representatives to the occupational health joint committee and the community committee were held, the UNO programme - which covers Company benefits - was consolidated, so as to facilitate work-life balance, and there were elections for staff representatives. Work was also done on unifying internal policies and procedures following the fusion of the fixed and mobile businesses in 2012.
- Peru: collective agreements were reached with each trade union individually (four in the fixed business and three in the mobile part). A collective agreement of four years' duration was also signed with the Federation of Communication Workers of Peru, and new negotiations with the Telefónica Workers' Union and those of the telecommunications sector were opened.
- Argentina: the mobile telephony Collective Agreement was signed, and is the most flexible on the market; a pay agreement was reached with all the unions, and financial agreements were reached with the three unions UPJET, OSTEL and FOESITRA. In addition, the pending career path agreements were signed (with FOETRA/FATEL and CEPETEL), so that all the unions now have career paths based on merit and work enrichment.
- Brazil: Integration of the employees of TVA (segment -TV) of Telefónica in Brazil, implying the Collective Agreement with the same parameters and the scope of the concession telephones policy (logistics and distribution orders), revision of the model of unified work contracts for management, administrative, commercial and office premises, negotiation of the voluntary retirement package with workers' unions (in March and October) the PPR (profit participation) agreements, and the database.

## Worker representation on Joint Health and Safety Committees

The health and safety model established in the different regions of Telefónica boasts a high level of representation and participation by workers through the corresponding Health and Safety Committees in all Telefónica's regions.

At TdE, the Collective Agreement 2011-2013 has been extended to the end of 2014, allowing progress in the transformation necessary within a framework of work stability