

RESPONSIBLE MANAGEMENT

Human Rights

For Telefonica, in accordance with the 'United Nations Guiding Principles on Business and Human Rights', the human rights impact assessment is critical to business sustainability. In 2013, we have worked proactively to strengthen the commitment to respect them

Commitment

Since, in 2006, respect for human rights became one of the pillars of our business principles and in 2012 we became pioneers in conducting a comprehensive assessment of the impact of our operations, based on the UN Guiding Principles on Business and Human Rights, our goal during 2013 was to integrate those aspects which had been identified both globally and locally in external procedures.

In accordance with these principles, we have developed an explicit commitment to respect the human rights of our stakeholders, including our employees, community members, customers and business partners, as well as the millions of people whose lives are affected by our products and services every day.

The development of our strategy has been based on five core components that cover our area of influence:



■ We respect our people by setting high labour, environmental, health & safety standards, as well as fair, equal and premium working conditions

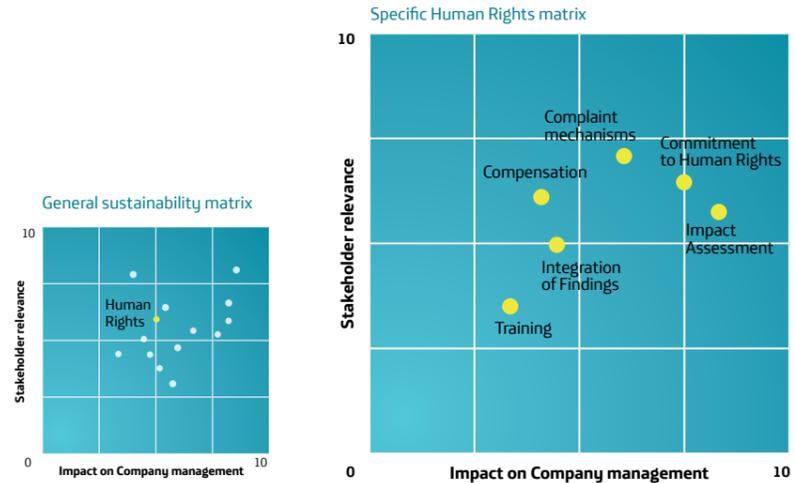
■ We recognize that as a leading technology provider with global operations, our business can help to promote – or be used to impede – Human Rights.

■ Our responsibility to respect Human Rights covers our direct impacts and extends to our business relationships. Expecting high labour conditions, environmental performance and excellent health and safety management in our supply chain is one way for Telefonía to leverage, and make the best we can to effect change and mitigate risks of abusive behaviour of business relationships.

■ By applying our products and services, besides our knowledge, to local community challenges, we can address some of the greatest local needs with due regard for Human Rights.

■ We are committed to exploring all relevant opportunities of engagement or alliance with external stakeholders enabling the creation of leverage effecting systemic changes and promoting respect of Human Rights.

Materiality matrix



Telefónica has set up global work for managing key aspects of human rights

Due diligence

The final report on our impact assessment in 2012 served as a starting point for the development and implementation of a working plan at corporate and local levels. In it, 15 priority issues were identified for Telefónica, involving a combination of risks and opportunities.

The plan was structured to develop and strengthen several different projects on a global and local basis, adapting them to the different contexts in the 16 countries where the assessment was carried out. The main lines of action of the plan were as follows:

- Share the findings with the areas involved at local level.
- Integrate the findings, identifying the existing policies, strategies and management systems.
- Arrange internal and global working groups to manage key aspects that appeared after the assessment, such as the Working Group on Privacy and Freedom of Expression and the Working Group on Business and Children's Rights.

→ Start building a map of stakeholders and multi-stakeholder platforms.

→ Monitor risks and opportunities

Non-discrimination

Our Business Principles/Code of Ethics state: "We promote equality of opportunity and treat all people fairly and impartially, without prejudice as to their race, colour, nationality, ethnic origin, religion, gender, sexual orientation, marital status, age, disability or family responsibilities".

→ **Equal opportunities.** The Telefónica standards for the promotion of the employment of people with disabilities include our commitment to equal opportunities for all, including people with disabilities.

→ **Diversity.** The Diversity Project, initiated in 2012 with the pilot programme in the European region, continued in 2013 with the aim of creating a global structure and processes to highlight the diversity of our Group, as well as facilitating the process of transformation of the company.

Health and safety

We will establish suitable mechanisms to avoid workplace accidents, injuries or diseases associated with our work activity through strict compliance with all relevant regulations and the preventive management of workplace hazards.

As part of our commitment to achieving and maintaining high levels of protection for the health and safety of workers, in addition to the implementation of a management system for safety and health at work which is coordinated and efficient. In 2013 the audit process began, in accordance with the OHSAS 18001 standard, at all companies of the Telefónica Group in Spain.

Collective bargaining and freedom of association

The *Business Principles* include the right of our employees to belong to the trade union of their choice and we do not tolerate any type of retaliation or hostile action towards those people who participate in union activities.

→ In 2013 there were important developments in collective bargaining, as reflected in the chapter on Freedom of Association and Social Dialogue.

Working conditions in the supply chain

Our public commitment to sustainability in the supply chain, taken on in 2010, has enabled us to articulate the positive impact of our activities through an international value chain, which nevertheless has a high local component.

- More than 800 professionals in 19 countries.
- More than 15,700 registered suppliers from 73 countries.
- About 84% awarded to local suppliers.
- Volume of purchasing above 26,500 million euros.
- More than 247,000 professionals at our suppliers perform key customer support activities in Latin America, playing a key role in customer satisfaction.

In 2013 we consolidated our model of responsible management in our supply chain, which is reinforced by other initiatives such as our commitment to human rights and to responsible trade in minerals.

Privacy

At Telefónica we respect the rights and freedoms of individuals, including the fundamental right to protection of personal data. Our *Business Principles* contemplate this fundamental right

and establish common standards of behaviour for all our companies.

In 2013 we continued with the efforts we made in 2012, increasing internal audits on data protection by 19%; continuing the training plan started in 2011 on data protection, participating in multi-stakeholder platforms and developing various awareness initiatives focused on data privacy (Familia Digital, Eleven Paths, etc.).

Freedom of expression

At Telefónica we are convinced that the best way to achieve overall progress on respect for freedom of expression and privacy is through dialogue between governments, industry, civil society organisations (including human rights experts), investors, supranational organisations and other stakeholders. Therefore, in March 2013 we set up, together with a group of operators and manufacturers in the industry, the Telecommunications Industry Dialogue Group on Freedom of Expression and Privacy.

Children's rights

At Telefónica, as part of our business strategy, we have been working actively in different ways for more than a decade on the promotion of and respect for Children's Rights. In 2013 we worked to transform the traditional approach – which includes a recognition of the responsibility of companies towards children and is often focused on the impact on the supply chain – into a more global approach, as described in the UNICEF report *Children's Rights and Business Principles*.

Deployment and management of network infrastructure

We work to minimise the environmental impact of our activities, promoting best management practices in all the countries where we operate, the adoption of environmental criteria in the deployment of the network, and the participation of all employees in achieving these gains.

Corruption and bribery

We are committed to 'zero tolerance' regarding fraud and corruption, and a number of elements are in place to constitute a proper control environment in all our operations.

Access to health

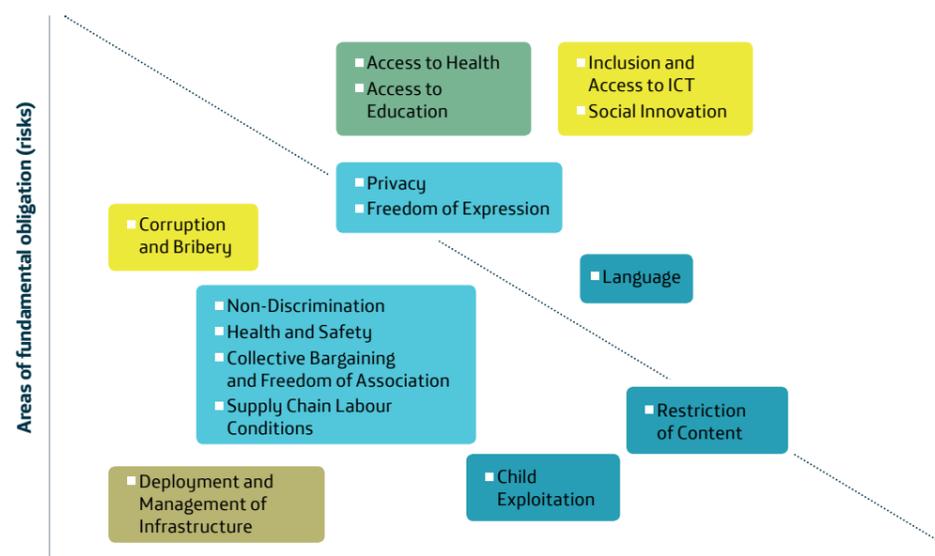
In 2013 we committed ourselves to becoming a major player in mHealth with products and services that contribute to new, more efficient and effective health models.

Access to education

We support education through the Fundación Telefónica programmes, which are focused on learning and education, both through our

In 2013, we consolidated our model of responsible management in our supply chain, reinforced by other initiatives such as commitment to human rights and responsible trade in minerals

Areas of competitive advantage (opportunities)





Telefónica is founder member of the Industry Dialogue on Privacy and Freedom of Expression

direct intervention projects and through our commitment to educational innovation. We implement and support the generation of knowledge, research, publications and support for the educational community.

Inclusion and access to ICT

Telefónica is committed to promoting economic, social and cultural development in the communities in which we operate and our commitment extends to ensuring that society as a whole can enjoy the benefits of information and communication technology (ICT).

Social innovation

The strategy of social innovation at the Telefónica Group aims to improve the lives of people, taking advantage of the opportunities offered by information and communication technology.

Language

At Telefónica we support the right of minorities to enjoy their own culture, to profess and practice their own religion, and to use their own language.

Initiatives that demonstrate this are carried out at local level:

- **Telefónica España.** Telefónica España promotes respect for linguistic rights, facilitating the use of the co-official languages of the country with its customers, employees, institutions and society in general. This means, among other things, that any client from Galicia, the Basque Country, Catalonia, the Balearic Islands and Valencia can be attended by telephone in either Spanish or in their co-official language and that they can choose the language used on their bill. In recent years, it has also promoted the incorporation of co-official languages in the menus of mobile handsets marketed by Telefónica and the inclusion of such information about each terminal on the Movistar website. Telefónica also offers the possibility for its employees to take online courses in co-official languages to improve their relationship with customers.
- **Telefónica Perú.** In Peru, given that 15% of the population use Quechua as their native language and that this percentage is about 34% in rural areas, Telefónica continued providing its Quechua and Aymara customer care telephone service, a service which handles more than one million calls every year.
- **Telefónica Venezuela.** Karawaretuy Telemedicine Service (El Paují, Bolívar State). The outpatient centre and telemedicine service are a medical diagnostic assistance option for about 2,000 people. Telefónica-Movistar fulfilled

all of its commitments with the establishment of the service in October 2013. Content creation on preventive health in the indigenous local languages was planned, but due to the dynamics of the community and its grassroots organisations it could not be completed.

Compensation/complaint mechanisms

Even with the best policies and practices, Telefónica may cause or contribute to an adverse impact on human rights.

Inquiries and facts relating to our activities may arise through different channels both locally and globally: this is the case with our specific channel for the Business Principles Office, a confidential channel that allows our employees to seek advice and raise issues relating to compliance with the *Business Principles*, particularly when signs of non-compliance are detected.

The other stakeholders can access the various confidential channels provided on each of the portals that have been authorised for this purpose. These channels can serve for them to provide their opinions or to inform Telefónica of any matters that may affect them. They can also collect information on commercial and corporate matters, and report any violations of rights of any kind.

Milestones

- Development of the Group's Commitment to Human Rights.
- Inclusion of the main findings in policies and key projects: responsibility in the supply chain, privacy and data protection, privacy and freedom of expression etc.
- The milestones achieved in the management of the different aspects identified can be found in each of the chapters, which contain the progress made in 2013 in the initiatives the company already had in place before the assessment. New features this year include:
 - Telefónica is a founding member of the Working Group on Privacy and Freedom of Expression, setting up an internal working committee that provides support to that group, as well as working on the implementation of the Guiding Principles on Privacy and Freedom of Expression.



- Adoption of the framework established by UNICEF, as a guide for integrated management of the impact of our activity on children.

Challenges

- To develop training materials and awareness about the impact of Telefónica on human rights and the main international frameworks.
- In critical processes, to work with the stakeholders involved on understanding the situation, impact analysis, and access to mechanisms for complaint and compensation.



More info on the UN Global Compact page

Best Practices

Telefónica Colombia has developed various initiatives and action plans resulting from diagnoses made locally in 2011 and 2012 as part of the overall assessment of the impact of Telefónica on human rights. They include:

- **Training Course on Human Rights.** As part of the due diligence process and in order to strengthen capacity and awareness in relation to certain specific risks within the company, in 2013 they worked on the design and usability of the human rights training course for employees through the A+ training platform. They have set themselves the challenge of training 80% of the employees in Colombia during 2014.
- **Protocol on Relationship with Communities.** Following a diagnosis, in 2011 it was proposed that a protocol be developed as part of the process to strengthen internal processes. This protocol includes the basic guidelines of behaviour for the areas of Telefónica Colombia which have a direct relationship with communities and aims to prevent potential conflicts arising. It also aims to establish appropriate actions to reduce their impact in the event of local crises.

The protocol was generated through the compilation of existing practices in some areas of Telefónica Colombia. The refinement and alignment phase is currently under way in the target areas, with a view to the subsequent implementation and dissemination of the protocol.

- **Colombian Guidelines.** Colombian Guidelines (actual title: Guías Colombia) is a multi-stakeholder initiative comprised of companies, civil society organisations, the Colombian government and international organisations, united under a common purpose: to identify and adopt clear standards for corporate behaviour in complex environments in terms of human rights. Telefónica Colombia is participating as a member of this initiative. During part of 2012 and throughout 2013, Telefónica Colombia participated in the construction of the *Decent Work and Lands Guidelines*, currently in the final phase of adjusting by its entire membership.
- **'Business for Peace'.** Telefónica Colombia leads the working group of the *Local Network of the United Nations Global Compact*. It joined the platform in 2013, given the local relevance of the issue of peace building in Colombia.

Access to remedy



Employees

- Confidential Channel of the Business Principles Office



Shareholders

- Mailbox of Shareholders' Office



Suppliers

- Supplier Portal of Telefónica Group



Customers

- Business Portal of Telefónica in each of the countries



Society

- Specific channel for Reputation and Sustainability

RESPONSIBLE MANAGEMENT

Human Rights: respect for children's rights

We have defined a new approach that allows us to consolidate and give greater visibility to the initiatives we have been working on, where children play a major role

Companies and children's rights

We are in the midst of the digital revolution, where technology is able to transform the lives of people in the way they communicate, learn, have fun, shop, share and learn. Children and teenagers are key agents in this transformation and the inevitable key players of the future, but are often among the most marginalised and vulnerable members of society. At Telefónica, as part of our business strategy, we have been working actively in different ways for more than a decade to promote and respect their rights as part of our business strategy and through different lines of action.

To date, the recognition of the responsibility of businesses towards children has often focused on preventing and eliminating child labour.

At Telefónica we worked during 2013 to evolve this traditional approach towards a more global approach, as described in the *Children's Rights and Business Principles* report drafted by UNICEF.

"Companies have enormous potential to protect the rights of children through the way they produce and market their products, provide

their services and exercise their influence on economic and social development. Conversely, some policies or business practices can cause irreversible damage to children and threaten not only their development but even their survival"

Also, in 2012 Telefónica participated – together with a small group of international companies from different sectors – in the consultation and pilot programme conducted by UNICEF for the drafting of the *CSR and Children's Rights Guidelines*. The experience gained there was invaluable for including children as a special group in future assessments of the impact on human rights.

Our framework for action

Based on the framework established in the report on *Children's Rights and Business Principles* by UNICEF, we have defined a new approach that allows us to consolidate and give greater visibility to the initiatives we have been working on, where children play a major role.

Traditional approach

- Prevention of child labour in our own operations and in our supply chains
- Philanthropic initiatives to protect children

Focus on rights

- Overview of the impact of the company on children
- Design of our products and services
- Marketing and advertising methods
- Decent work
- Prevention of child labour
- Protection in emergencies
- Philanthropic initiatives
- Relations with local government



1 Meet the responsibility to respect and promote children's rights

At Telefónica we meet this responsibility in our own activities and business relationships.

In 2012, we conducted a comprehensive assessment of our impact on human rights, where children's rights was one of the issues discussed, forming part of the 16 aspects we assessed.

According to this study, the greatest risk comes from the use of child labour by our suppliers as well as the misuse of information technologies. For the overall management of these risks, we have developed the initiatives contained in the chapters *Sustainability in the Supply Chain* and *The Proper Use of the Internet by Children*, from this report.

In addition, we encourage voluntary actions that promote these rights, both in support activities and those related to participation in public policy (*Spanish National Plan for Human Rights and Companies*, Consultation on EU initiatives, etc.) and when working in cooperation with other organisations (UNICEF, Save the Children, Child Online Protection, etc.)



Children's Rights and Business Principles, UNICEF, the Global Compact and Save the Children, 2012.



2 Contribute to the elimination of child labour in our operations and in our supply chain

The Telefónica Group meets with local laws and international standards, observing the minimum working age, ensuring appropriate working conditions and the impact on the health and safety of young workers. Our supply chain is made up of more than 15,000 suppliers from 73 countries and, through our Responsibility in the Supply Chain policy and the monitoring activities to ensure compliance, we are actively working towards the elimination of child labour in our supply chain.

In 2013, moreover, we reinforced this commitment by launching the platform 'Aquí estoy y actúo' ('Here I Am Taking Action'), a sustainability project for the eradication of child labour in companies and value chains in Latin America and the Caribbean.

The most important achievements have been the following:

- Use the guide for more than 100 companies in 12 countries of Latin America.
- Presentation of the Methodological Guide in different international forums as a benchmark in their contribution to the eradication of child labour.
- Recognition of the Guide and the online platform adopted by different international organisations since its launch.

Best practices

Acknowledgements



- **El Ojo de Iberoamérica 2012**
 - Gold - Sustainable CSR
 - Gold - Mobile Category
- **El Dorado Festival 2012**
 - Gold in Cyber category
 - Silver in Outdoor category
 - Grand Prize in Cyber category
- **The One Show - Interactive**
 - Silver Pencil
- **FIAP 2012**
 - Silver Sun - 'Interactive' Category in Latin America
- **DeVida Advertising 2012**
 - Special Recognition
- **Cannes Lions 2012**
 - Silver Lion in 'Mobile France' category
 - Bronze Lion in 'Mobile France' category
- **The Latin American Cup**
 - 'Public Good' Category
- **Accenture Awards**
 - Gold - Sustainable CSR
- **Clio Awards 2012**
 - Gold - 'Mobile Spain' Category
- **New York Festivals 2012**
 - Silver - Philanthropic Appeals

3

Provide decent jobs for young workers, parents and caregivers

We are convinced that the best way to ensure the rights of children at home lies in ensuring decent work for parents and caregivers. For this reason, salaries in our operations match the functions performed and are always above the prevailing minimum wage level in each country. With regard to young workers, we encourage decent employment opportunities and educational programmes.

- **'Think Big Schools'**. First experience in Spain by Fundación Telefónica with the aim of providing training in digital and entrepreneurial skills to young people of school age (14-16 years), whose most outstanding projects could be included in *Think Big Youth*.
- **'Think Big'**. Social enterprise project created by Fundación Telefónica with Movistar, which helps young people between 15 and 25 years old to bring their ideas to life and develop their potential. During 2013, Fundación Telefónica invested over €6.9 million in this programme to support the development of more than 3,338 projects
- **'Gothinkbig'**. Initiative launched by Telefónica UK in 2012, in collaboration with the Bauer Media Group, with the aim of helping young people get on the career ladder through advice, inspiration and promoting 30,000 work experiences for young people (between 16 and 25 years) by 2015. O2 created more than 3,000 opportunities during 2013.

4

Ensure the protection and safety of children in all business activities and facilities

We have an occupational risk prevention policy and a risk assessment procedure in which especially protected workers are taken into account. Their purpose is to adopt a set of preventive measures to encourage improvements in the health and safety at work of this group and, in particular, measures for pregnant workers, those who have recently given birth or those who are breastfeeding their children. In this last case, measures have been established to prevent situations that may adversely affect their health or that of their child.

With regard to our supply chain and as stated in our Responsibility in the Supply Chain policy:

- Children under 18 who, in accordance with local law, are permitted to participate in the labour market may not work at night or in hazardous conditions.

In any case, the action in question shall be taken while considering the interests of the child in accordance with the provisions of ILO Convention 138 and shall be consistent with the *UN Convention on the Rights of the Child*.

5

Ensure that products and services are safe and seek to support children's rights through them

In our efforts to ensure that our products and services are safe and that through them an online context is promoted which is more respectful of minors, Telefónica is working so that children can take full advantage of new Information and Communication Technologies (ICT), while being taught to avoid misuse.

This applies in the field of marketing of our products and services (parental control, Kangaroo Net, Safety Pack, selection of educational apps, 'Classroom 365' and the 'I'm Here' service) and through sectoral initiatives and partnerships with international organisations. The best example of this is the promotion of the safe use of ICT on the website: www.familiadigital.net.

6

Use marketing and advertising that respects and supports children's rights

At Telefónica we ensure that our communication and marketing actions fully respect the rights of children. Within our transformation programme, we are working to define a framework for responsible marketing, in which special attention is paid to children.

7

Respect and support children's rights in relation to the environment and to land acquisition and use

At Telefónica we practise a comprehensive environmental policy to reduce our carbon footprint, especially with regard to network deployment. We comply with environmental legislation at local and international level on visual impact, waste management, noise footprint, etc., covering the general population spectrum and especially children as a group which is sensitive to environmental pollution.

8

Respect and support children's rights in security arrangements

Telefónica does not hire underage workers for positions related to physical security, such as nightwatchmen or security guards, either directly or when outsourcing.

9

Help to protect the children affected by emergencies

In emergency situations, Telefónica works to ensure that the children concerned have certain levels of protection, such as having food and drinking water. In 2013, the company collaborated with seven NGOs – Action Against Hunger (ACF), UNHCR, Caritas Española, the Spanish Red Cross, MSF, Oxfam Intermon and UNICEF – in the emergency situation following the typhoon that struck the Philippines. The company contributed €300,000 via a Push SMS campaign to customers and employees donations.

10

Reinforce community and government to protect and fulfill children's rights

Telefónica contributes to observance of children's rights, not only through its own practices, but also by helping to strengthen the communities in which it operates and where children live and grow.

Fundación Telefónica, through the Proniño programme, contributes to the development of communities by eliminating child labour, especially in Latin America where, according to the latest ILO report, it is estimated that over 12 million children aged between 5 to 17 years old are working. This number is 1.6 million lower than in 2008.