

PEOPLE

Privacy: an open and secure Internet for all

Respect for privacy is essential for the development of the digital society

Telefónica respects the rights and freedoms of individuals, through protecting personal data both online and offline

The universal and global nature of the Internet, its easy access for multiple devices, the growing number of social networks and applications, storage of and access to large amounts of data in the cloud make the Internet a tool of frequent use for both personal and business purposes. Its widespread use has resulted in the digital revolution, but this status as a universal and participatory tool entails risks and challenges. Risks to users' privacy, and challenges via the blurring of territorial barriers and the legal systems governing privacy.

The process of reform of the laws in the US and Europe is a perfect opportunity to include certain global measures. One example is the proposed Regulation on Data Protection in the European Union, which aligns the regulations across the 28 Member States, closing the existing loopholes. However, it has yet to define its level of alignment with the US model and that of other geo-economic areas.

The educational work involved in privacy is also a line of action to be considered; given that 'privacy' is far from being a universally shared concept. From childhood and also in adulthood, training and information on privacy is essential to ensure that users are aware of their level of privacy and are able to control their data.

One challenge we all face as industry players – both telecom operators and Over the Top service companies (OTTs) – is how to combine the demands of privacy in the current environment, where technological possibilities grow exponentially with the development of

technology that is based on the exploitation of information.

Our commitment

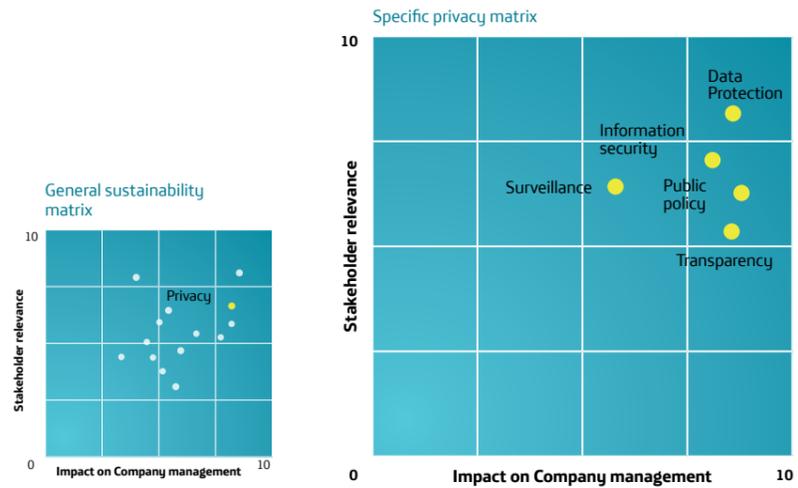
At Telefónica we respect the rights and freedoms of individuals, including the fundamental right to the protection of personal data. Our Business Principles contemplate this fundamental right and establish common standards of behaviour for all our companies to:

- Protect the confidentiality of personal information entrusted to us, whether that of customers, shareholders, employees or suppliers.
- Provide our stakeholders with relevant information about how we use and store their personal data.
- Inform users on how to access and correct the data we handle.
- Store all personal information with appropriate security measures. If at any time this security is compromised, we have to act quickly and responsibly.

A changing regulatory framework

The regulatory framework for privacy and data protection is evolving at European and international level. One example is the updating by the OECD of the *Privacy Guidelines Governing the Protection of Privacy and Transborder Flows of Personal Data*. As a result, Telefónica, both individually and through industry associations,

Materiality matrix



has been active in the institutional debate taking place ahead of the creation of a regulatory framework that addresses the needs of consumers and industry on privacy and data protection.

In Europe, the European Parliament and the Council continued throughout 2013 to discuss the proposed review of the European regulatory framework for data protection, presented by the European Commission in January 2012. At Telefónica we have drafted comprehensive and detailed analyses of the key issues discussed in Parliament and in the Council and met with representatives of the European Parliament, the Council, the Commission and other stakeholders such as the EDPS (European Data Protection Supervisor) and the Article 29 WG (made up of national data protection agencies).

In addition, during 2013 we participated in numerous high profile events where we emphasised the position of Telefónica, which argues that the ongoing regulatory review must strike a balance between legal security and the development of new services. These interventions were complemented by other actions:

- Leading the Working Group on Data Protection, Trust and Security of ETNO (European Telecommunications Network Operators Association).
- Leading through ETNO, an industry coalition made up of the main European associations (GSMA, ECTA, ETNO and CableEurope).

The following are some examples of relevant events:

- In February, Telefónica participated in a meeting with Commissioner Reding and with the President of the Executive Board of ETNO.
- In March, Ronan Dunne (CEO of Telefónica UK) took part, along with Commissioner Reding, in a debate on data protection organised by European Voice.
- In May, Ronan Dunne returned to share the stage with Commissioner Reding, MEP Sean Kelly and Pierre Louette (Deputy CEO and Secretary General of Orange) in an event organised by ETNO, GSMA, ECTA and CableEurope in the European Parliament.
- In October, Telefónica participated, along with a small number of European companies, in a meeting hosted by Commissioner Reding on the future of the Safe Harbour agreement for the transfer of personal data between the EU and the United States.

Telefónica also participated in the high-level advisory group, chaired by the President of Estonia, Toomas Hendrik Ilves, that has prepared a series of recommendations to Commissioner Kroes on how to promote the use of cloud services by government. This advisory group, known as the European Cloud Partnership, is one of the implementation actions in the European Strategy for Cloud Computing. Telefónica has also been involved in other implementation actions, such as the preparation of a privacy code for cloud service providers.

For Telefónica, the ongoing regulatory review in the European Union needs to strike a balance between legal security and the development of new services

To ensure respect for the rights of its users, Telefónica has created the Privacy Committee, chaired by the 'Chief Privacy Officer'

Digital Manifesto: an Open and Secure Internet For All

The Digital Manifesto is the new public positioning of Telefónica in the field of public policy for the digital world. The Manifesto highlights the challenges faced by public policies in unleashing the full potential of the Digital World to the benefit of consumers, businesses and government agencies, as well as providing 10 recommendations to improve the user experience on the Internet and promote greater investment in digital infrastructure.

Action lines

a) Policy and Privacy Committee

Having been approved by the Board of the Telefónica Group, this policy establishes guidelines that any Group company has to follow to protect the privacy of our customers and all those stakeholders who entrust their personal data to Telefónica.

The privacy policy sets common guidelines for action, setting the stage for the development of a privacy culture. The policy is built around three pillars:

- Self-regulation, in order to guarantee the rights of users and security, which goes beyond international and local laws.
- Privacy as an engine of confidence and generator of an optimum reputation for Telefónica.
- Privacy as a key element to promote innovation, welfare and prosperity in the digital world.

To facilitate the development and implementation of this policy, the Privacy Committee of the Group has been created, being chaired by the Chief Privacy Officer and made up of key areas, both in terms of business and in terms of security and infrastructure. Thus, in addition to ensuring compliance with the Privacy Policy, a single, clear and consistent public position on our privacy practices and data protection is ensured in all our geographic areas of operations.

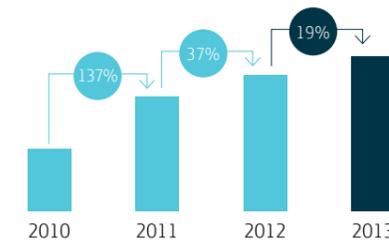
To ensure the alignment of the countries in the Group, as well as the communication and adaptation of local actions, a Data Privacy Officer has been appointed in each country.

Data protection and audits

In 2013 we continued with the efforts we made in 2012, increasing internal audits on data protection by 19%. We performed nine audits on bodies collaborating in the Proniño programme in seven countries in Latin America and 22 audits on Group companies, both in Europe and in Latin America.

The most important aspects reviewed were as follows: implementation of security measures in the treatment of personal data, control of access to this data, quality of information, consent to the processing of data and the ability of the people concerned to exercise their rights of access, rectification, cancellation and opposition.

Evolution of internal audits



c) Training and awareness

During 2013 we continued in both regions with the training plan on data protection, launched in 2011.

Telefónica Europe. Nearly 29,800 employees have had up-to-date training on privacy and data protection. This represents approximately 54.2% of all Telefónica employees in the region. The breakdown by country is as follows: United Kingdom, 6,758; Germany, 5,041; Czech Republic, 4,981; Ireland, 640; Slovakia, 259, and Spain, 12,059.

Telefónica Latin America. Nearly 10,900 employees were given training in data protection, information security and the use of social networks, including:

- Argentina and Colombia. Over 2,100 and 3,500 employees, respectively, were given training in Security and Social Networks. This represents 13% and 98% respectively of the employees in those countries.

→ Venezuela, where more than 2,500 people, 37.3% of the workforce, took part in telematic security courses.

→ Mexico, where emphasis was placed on publicising the recent update to the Federal Privacy Act, as well as strengthening the induction courses to the company, with more than 500 people given training, involving 17.7% of the employees.

→ Ecuador, where through e-learning, more than 1,100 employees were trained in the classification and processing of information. In addition, 80 executives took a classroom-based module on information security. In total 89.8% of employees participated in this training initiative.

These training activities were also carried out at the corporate centre, where around 260 people took the course of data protection. Also in the corporate centre, a global awareness campaign on information security was developed which encouraged the implementation of practical measures, the use of mobile devices, the management of their personal and professional passwords in the office or when telecommuting; the use of social networks, the use of wireless networks, the use of cloud services, the sorting and processing of information, and security when travelling, among other areas.

In addition to internal training, we conducted training workshops on data protection and confidentiality, which were attended by local organisations and institutions. One example is the workshop held in Costa Rica, which was attended by representatives of the International Labour Organization, the Omar Dengo

10 policy recommendations to improve the digital consumer experience and to connect everyone to an open and secure Internet



- 1 **Build Digital Confidence through a safer Internet experience** and by empowering citizens to be in control of their personal data.
- 2 **Create a Portable Digital Life** for consumers by allowing them to use their data, information and applications regardless of their devices or platforms.
- 3 **Open up mobile Operating Systems, App Stores and other digital platforms** to increase users' freedom, choice and competition.
- 4 **Promote interoperable Internet applications, communication and messaging services** to improve consumer experience and foster competition.
- 5 **Improve transparency** about the conditions of use for Internet services and the distinction between information and advertisement in online search results.
- 6 **Transform education, learning and teaching** by widely adopting digital technologies and services based on Open Resources and Standards.
- 7 **Promote Open Innovation and Open Standards** principles and prevent that undue Intellectual Property protection restricts innovation in the Digital Economy.
- 8 **Create fairer policy frameworks by establishing the same rules for the same digital services** and smarter regulation by relying more on outcome-based policy making and case-by-case supervision.
- 9 **Make Internet available to everyone** by establishing adequate conditions for private investment in broadband infrastructure.
- 10 **Evolue the policy models of Global Internet Governance** by building on its existing foundations and through involvement of all stakeholders in an open manner and on equal footing.

Telefónica and the Financial Times asked 12,000 young people belonging to the 'Millennial Generation' about their expectations and concerns

Foundation, World Vision and the Ministry of Labour and Social Security.

With regard to actions aimed at raising awareness about the safe use of technologies, we should mention the Digital Family platform, a resource centre for parents, which aims to promote digital education and help to create a better Internet environment for children which ensures their privacy. The website, launched in early February 2014, will be launched later in other countries served by the Group.

As regards the general public, one highlight is the book published by Fundación Telefónica, which covers the debate over data privacy and security.

This paper examines the origins and evolution of the debate, based on contributions from academic and business experts from the US and Europe. It includes a contribution from Commissioner Viviane Reding, as well as comments by academics and companies such as Facebook, Orange, Microsoft, Telecom Italia and Telefónica.

Security in our services

Responding to the fact that security and privacy have become a key issue for both businesses and users, Telefónica has launched a new line of business, Eleven Paths, which features a highly regarded team from the world of information security.

Eleven Paths was born as a type of innovation laboratory, with the aim of radically changing the process of development of products and services in the field of security.

Additionally, given the new trends in threats to information security at companies, and taking into account the fact that a different approach is required to address the prevention and mitigation of these attacks, Telefónica presented its security operation centres, a comprehensive offering of security solutions which go well beyond traditional protection.

In all these actions we consider the role of our suppliers to be vital, so we are promoting collaboration in the field of online security. One example is the joint workshop on Network Security with Huawei, held in April 2013.

This new line of action applies to manufacturers and service providers. In February 2014 we closed an agreement with PricewaterhouseCoopers to market cybersecurity services jointly.

As regards our social platform, Tuenti, in 2013 it introduced three new guides for users, parents and teachers.

Also, in January 2013 it launched a privacy simulator for social networks.

Knowing the expectations of our 'stakeholders'

'Millennial Generation'

Telefónica and the Financial Times conducted a survey which looked at more than 12,000 members of the Millennial Generation from 27 countries. This has been the largest and most comprehensive survey to date.

Millennials, young people between 18 and 30 years, have great expectations for privacy and individual liberties; they believe they should have the right to choose who they marry and vote for, to express themselves, enjoy their privacy and have access to healthcare.

91% of its members are concerned about privacy, data security and the personal information circulating on the Internet. 95% believe that more important safety measures need to be promoted to protect one's identity on the Internet.

Customers

We celebrated Innovation Security Day, an event that was attended by more than 700 customers. At the event we presented our cybersecurity services offering for businesses and end users. Comprising business solutions and in-house development, it covers the entire cybersecurity management cycle of our customers, focusing on prevention, detection and response.

Institutions and opinion leaders

In addition to the actions described above with the new regulatory framework in Europe, the Telefónica Group is constantly exploring new challenges and approaches to keep identity personal and private, protecting the rights to privacy and the freedom of expression. In 2013 the major initiatives undertaken were:

- Roundtables organised by European Voice and sponsored by Telefónica, with the participation of a broad representation of stakeholders belonging to the political and business sectors and civil society. The topics covered include data protection and cybersecurity.

- Quarterly debates organised by the Centre for Information Policy and Leadership, covering the challenges and approaches in order to keep personal identity private and to protect the right of expression.

- Telefónica took part in Cybersecurity Month with the National Institute of Communication Technologies (INTECO), the Secretary of State for Telecommunications and the Information Society (SETSI) and the main telecommunications companies, which participated actively in awareness raising activities for Cybersecurity Month.

- We held the 3rd Telefónica Global Meeting on Information Security, which brought together 136 experts from Spain, Brazil, the USA, Peru, Colombia, Chile, Argentina, the UK, Germany and the Czech Republic. At the forum there was an emphasis on the importance and the need for visibility to integrated into security matters, hence the participation of our main partners: Fortinet, Westcon Afina, HP, Arbor, Alien Vault and McAfee.

95% of young people between 18 and 30 are calling for stricter measures to protect their personal data and identity while surfing the Internet

Tuenti Guides



User Guide

Intended to allow you to get the most out of Tuenti, with a special emphasis on privacy and security.



Parents' Guide

An assistant to show how Tuenti works, which also teaches younger users about safe navigation.



Teachers' Guide

Shows what teaching uses can be made of this social network for young people and provides safety advice.

Right or privilege

