Sustainable Business Policy

Corporate policy

Approved by the Board of Directors of Telefónica S.A. at its meeting of February 24, 2016.

Telefónica, S.A.

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1. Introduction
We believe that connectivity and technology should contribute to enable people to live better lives and to find solutions to the great challenges of our society, such as inequality, ageing of the population, urbanisation and climate change. Our customers, employees, investors, suppliers and society in general expect us to contribute to the sustainable economic and social development of the countries in which we operate. In order to respond to these expectations, the aims of economic, social and environmental sustainability go hand in hand with the strategic objectives of the Company itself, are incorporated into the processes and goals of the different business areas and, ultimately, are part of the company's DNA.

2. Commitments towards our interest groups
We have made commitments to our different interest groups by means of our Business Principles, in which we define the basic values which underpin all of our actions (we want to be an open, challenging and reliable company), the ethical principles which guide our way of doing business and our specific commitments in the different areas for the company. Compliance with the law at all times, respect for human rights all across our value chain, assuming our fiscal responsibility and the commitment to the environment and social development are some of the principles which are reflected in this document.

3. Our commitment to Human Rights
We are committed to respecting internationally recognised human rights of our employees, customers, business partners as well as all the people whom we influence each day through our products and services. We keep a transparent management model of the Human Rights programme and we periodically share with internal management bodies the vision our key stakeholders hold in the field of Human Rights. We have incorporated concrete objectives into our Sustainable Business Plans around respect for and the promotion of human rights in projects such as the sustainable management of our supply chain, diversity, privacy and security, and several other projects showing our commitment to the communities in the countries in which we operate.

4. Our Financial Responsibility
Regarding our financial responsibility, we adhere to the Code of Good Tax Practices, drawn up by the “Foro de Grandes Empresas” (Forum of Large Companies) in conjunction with the Spanish Tax Administration, with the aim of avoiding the use of structures of an opaque nature for tax purposes. To this end, we do not use company structures in order to cover or reduce the transparency of our activities before the tax authorities, or any other interested party. Nor are we present in any of the jurisdictions included in the list of tax havens established in Spanish regulations.
5. The Sustainable Business Plan

Our specific sustainability objectives are set out in a Sustainable Business Plan, which extends across all company departments and identifies the major challenges which we are setting ourselves regarding sustainability. It is based on an analysis of our risk map, on the expectations of our customers, our employees, our investors, our suppliers, the regulator, society in general as well as the company's own strategy. The projects in the Plan include objectives regarding ethical behaviour, customer promise, environmental impact and climate change, sustainable management of the supply chain, digital trust and management of diversity and talent, and sustainable innovation.

Also, through Telefónica Digital Education and the Telefónica Foundations, we are transferring all our know-how around education, entrepreneurship and digital skills into several social projects aimed at children, teenagers, parents and educators, in order to contribute to reducing the social inequalities which surround us.

We have updated our plan and our aims according to the expectations of our interest groups, taking advantage of the many communication channels at our disposal. We have specific channels of communication for employees, suppliers, and other interest groups. We use different tools to gather views of our customers and of society in general. We proactively promote conversations with our investors and enter into dialogue with all our interest groups through our Global Panel of Interest Groups, our customers, our investors, our suppliers, the academia, the communication sector and the third sector.

We take very seriously our commitment to transparency, integrity, and thoroughness in matters of communication with our interest groups (link to the investor’s channel).

The Sustainable Business Plan has been approved by Telefónica’s Board of Directors, along with the strategy for participation and dialogue with our interest groups and the sustainability risk map, and it is replicated across all of the Group’s operators. The Committee on Institutional Affairs of the Board is responsible for monitoring the Plan and the indicator scorecard. Each operator also has a Sustainable Business Office, which is composed of the heads of all the business units, which follows up on the plan and supervises the processes which have been implemented to ensure an ethical and responsible conduct of the Company.

Finally, in the framework of the internal control systems of the Telefónica Group, the company has a risk management system, in which both non-financial and financial risks are identified (among others, operational and business, environmental and reputational), and the oversight of which is performed by the Audit Committee of the Board.