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Commitment
to society_



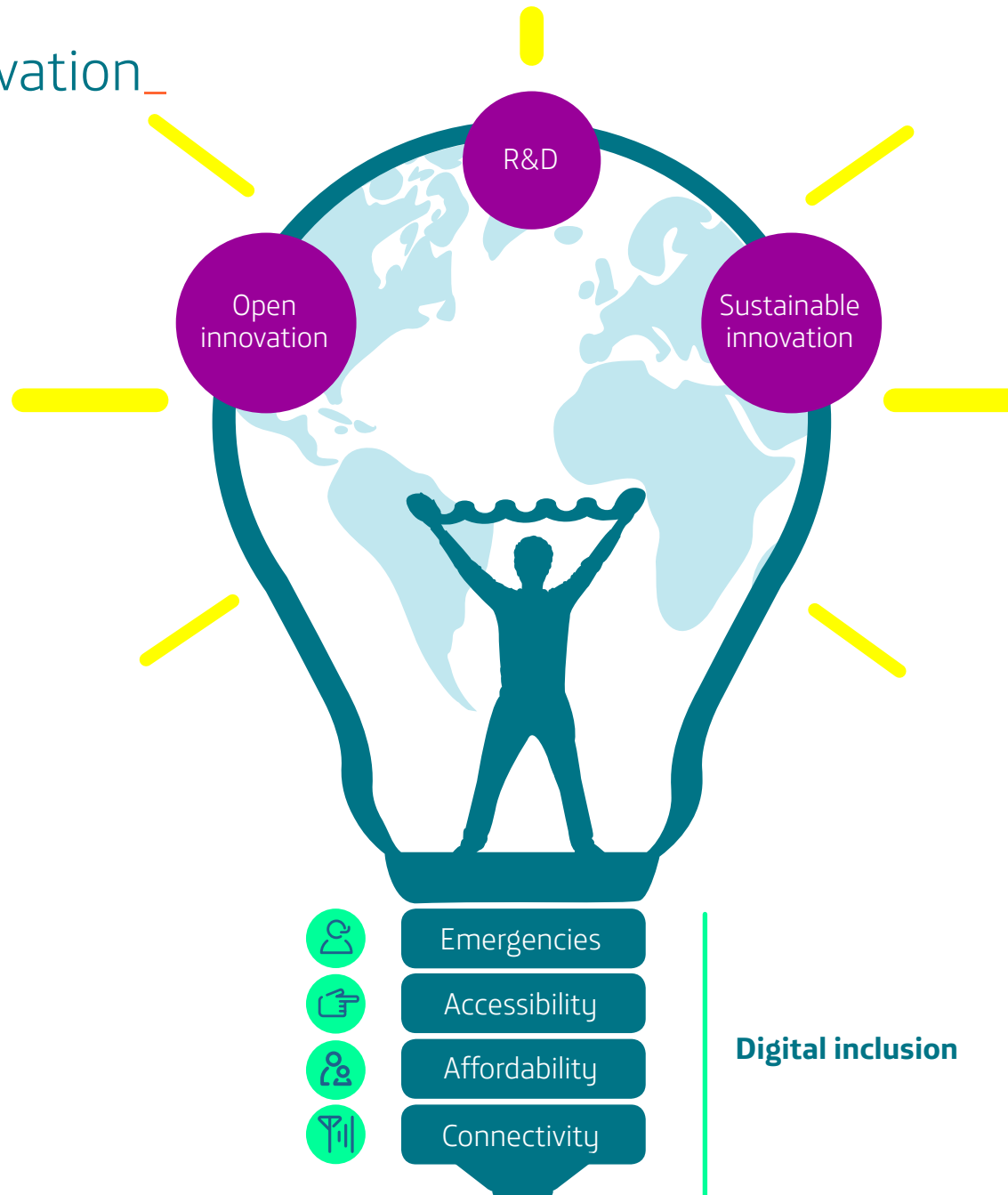
Digital inclusion and innovation

New digital technologies are the main driving force of social and economic transformation today. This premise is the basis upon which we build our Company vision: we want to guarantee access to digital life, using the best technology and without leaving anyone behind.

Connectivity is our ally in reducing the digital divide and, due to our fixed and mobile network infrastructure and the services we develop around it, we can aid progress in the communities in which we operate.

To move towards this vision, at Telefónica we work on two basic fronts:

- 1) Guaranteeing access to technology through digital inclusion, in other words, by means of Network roll-out and an accessible and affordable offer for all sectors of the population.
- 2) Developing innovative services that add value to our connectivity, and which we develop through innovation: Big Data, the Internet of Things (IoT), eHealth, digital education and eFinances.





Digital inclusion

CONNECTIVITY AND NETWORK ROLL-OUT

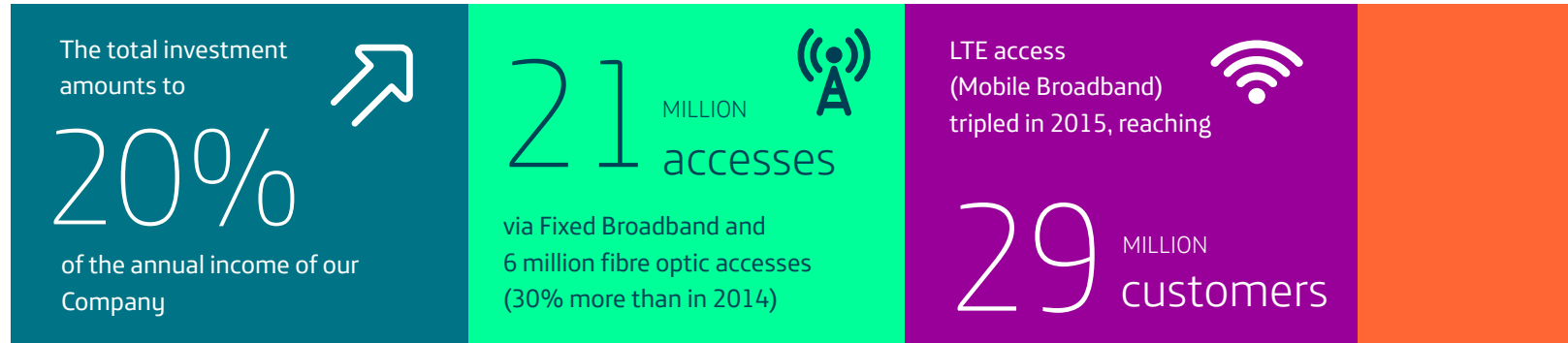
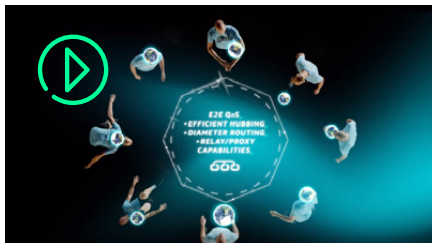
Over the last decade we have contributed substantially to improving access to the Internet, as well as its capacity and quality, as a result of our investment in infrastructures to ensure that more and more households have the opportunity to access the benefits of the digital economy.

Thus, in Latin America alone we have invested 130,000 million euros over the last 25 years, thanks to which nowadays virtually all households have access to telephony and, increasingly, access to broadband Internet, both fixed and mobile.

During 2015 we invested 9,578 million euros globally, a figure which represents an increase of 10% on the previous year and 20% of the annual income of our Company.

FURTHER INFORMATION

Watch the "Telefónica LTE - Football" Freestyle video.



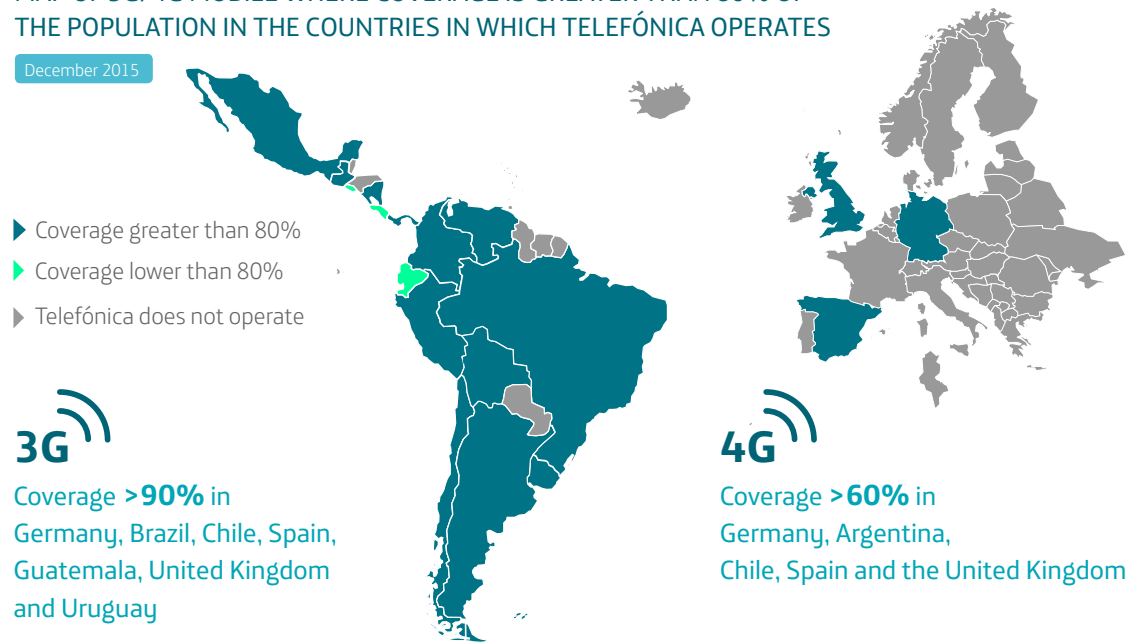
BEST PRACTICES

IMPROVEMENT OF THE 3G NETWORK IN BRAZIL

In the first nine months of 2015, Telefónica Vivo Brazil invested approximately 1,619 million euros in improving the 3G network in the country and in activating the 4G service in 11 cities and in five more states (Ceará, Minas Gerais, Paraíba, Pernambuco and Rio de Janeiro). Our Vivo customers can thus use this technology in 183 municipalities, reaching more than 88.7 million people.

MAP OF 3G/4G MOBILE WHERE COVERAGE IS GREATER THAN 80% OF THE POPULATION IN THE COUNTRIES IN WHICH TELEFÓNICA OPERATES

December 2015



Note: The coverage in Ecuador stands at 79%. The coverage in El Salvador stands at 72%. Source: GSMA Intelligence.



The investment in high-speed mobile networks is reflected in the significant increase, during 2015, of the percentage of the population in the countries in which we operate which were covered by 3G and 4G technology:

+ 8.2
average percentage points in 3G and

+ 17.7
average percentage points in 4G

BEST PRACTICES

DEPLOYMENT OF THE 3G NETWORK IN PERU

In 2015, at Telefónica in Peru we deployed a high-speed 3G Network as far as Moyobamba and Rioja, in the San Martín region. We thereby benefited more than 350,000 inhabitants, who will now have better access to communication and health, more tourism and business opportunities through fibre optic. This work is included in the investment plan we announced for the 2014-2016 period for Peru, which assigns about 1,639 million euros to the development of telecommunications infrastructure projects.

As a result of our investment in Network infrastructures, during 2015 we made great progress in terms of the penetration of high-speed Internet services, for both fixed and mobile technologies. Mobile accesses totalled 247 million, of which 113 million corresponded to smartphones, 1.4 times more than in 2014. LTE customers increased threefold in 2015, reaching a figure of 30 million. In addition, we registered 21 million Fixed Broadband accesses. 13 million of those were in Latin America, which counts for almost 50% of our fixed telephony customers in the region. We should also highlight the progressive improvement of the quality of the service. For example, in Chile and Peru, 77% and 73% of the broadband accesses have speeds greater than 4 MB.

We have 6 million fibre optic accesses (30% more than in 2014). The growth in Spain, with 2.2 million fibre optic customers, stands out, as it does in Brazil, where 53% of retail broadband accesses are fibre optic.

UNIVERSAL SERVICE PROVISIONS

Millions of euros	2015
Spain ⁽¹⁾	17,535,260
Argentina	141,895,234
Brazil ⁽²⁾	84,641,020
Peru ⁽³⁾	23,024,171
Colombia	50,291,295
Venezuela	2,352,881
Ecuador	4,507,146

(1) The Net Cost of the Universal Service in 2014 was recalculated to take into account the latest CNMC resolutions received.

(2) Data for 2014.

(3) Includes services of Telefónica Multimedia S.A.C., TIWS and Media Network S.A.C.

Universal service

The universal service is a public investment fund, financed by special taxes on telecommunications operators, whose aim is to guarantee connectivity to the entire population at a minimum quality and affordable prices.

We currently provide universal service funds in Argentina, Brazil, Colombia, Ecuador, Spain, Peru and Venezuela, where they are under the control and monitoring of the public organisms appointed for such purpose by each country.



AFFORDABLE SERVICE

We are aware that it is important for the services we offer to be affordable for the whole population. Especially in Latin America, for households with few resources, price can be an insurmountable barrier to accessing telecommunications services.

In the last decade there has been a significant fall in prices in the sector, particularly in Latin America. In the mobile market, competition, technological and commercial innovation and private investment have enabled millions of people to access telecommunications services.

Our mobile pay-as-you-go service, unique broadband offer and service packages are key tools for increasing penetration among sectors of the population with lower incomes.

Digital inclusion indicators	Dec. 2014	Dec. 2015
Penetration of smartphones	33.6%	48.5%
Pay-as-you-go	22.4%	37.5%
Contract	59.2%	71.0%
LTE smartphones (millions)	9,830.7	29,708.2
LTE penetration	4.1%	12.5%

Another important factor which has decisively influenced the affordability of these services is the advent of smartphones. Such devices are essential for accessing Internet, as their prices are significantly lower than those of other access terminals, and they are increasingly widespread in the region.

Smartphones are thus a key tool for reducing the gap in demand in the most economically vulnerable sectors. Moreover, smartphones do not require significant skills for use, which in turn can bring down certain barriers arising from a lack of digital literacy. 48.5% of our mobile customers currently have a smartphone, 37.5% of whom are on pay-as-you-go tariffs.

A unique and personalised offer

Just as pay-as-you-go products have been instrumental in universalising access to mobile services, a unique offer, adapted to the needs of each customer, encourages a widespread increase in Internet access. In this regard, within the limits of regulation, we strive to design an offer tailored to the needs and payment capacity of each of our customers.

We are convinced that it is possible to provide each of our customers with what they demand, in a transparent manner. Thus, by activating the service package they want, through the smart terminal they choose and adapting to the amount they are able to pay, customers can enjoy a distinctive offer which is adapted to their needs.

In countries where large sectors of the population have relatively low incomes, the existence of differentiated plans allows customers to enjoy Internet access on their pay-as-you-go mobiles at a price within their purchasing power.

In Latin America alone we have more than 130 million mobile pay-as-you-go customers.

BEST PRACTICES

SOCIAL PAY-AS-YOU-GO RATE

At Telefónica in Peru we have over 760,000 customers with access to the social pay-as-you-go rate, which is up to 50% cheaper and benefits the recipients of State social programmes and public servants working in rural areas.

130 MILLIONS OF customers of pay-as-you-go in Latin America

37.5% of our customers with smartphones are on pay-as-you-go tariffs



ACCESSIBILITY

Our strategy as an accessible Company is chiefly developed along two axes:

- ▶ The first is aimed at our customers and the society in which we operate, and is based on the conviction that access to the digital world is essential for improving people's lives. This is particularly applicable to a large segment of the world's population, namely, the collective which represents people with disabilities and their families.
- ▶ The second axis, the focus of which lies within the organisation, is aimed at Company employees and the facilities where they and our collaborators perform their work. Ensuring an accessible work environment and providing equal opportunities for all collectives is an essential goal for the fulfilment of our strategy.

Design For All

With the aim of making all our products and services accessible to any customer, we work with the "Design for All" attributes in mind, from the initial stages of development, through to the design phase.

"Design for All" is a concept integrated into our whole value chain, by means of training, testing and development activities, which are carried out by experts on accessibility in order to integrate this concept into everything we do.

Collaboration with leading associations helps us to understand the needs of the collectives of people with disabilities and to transmit these needs internally so that all areas of the Company incorporate accessibility criteria into their daily work, enabling Telefónica to become an accessible Digital Telco.

DESIGN FOR ALL PROCESS



BEST PRACTICES

CARE FOR CUSTOMERS WITH DISABILITIES IN CHILE

During 2015, Telefónica Chile implemented an ambitious plan to improve the care experience of our customers with disabilities. The starting point was direct dialogue with the different collectives affected, which allowed us to define the aspects most appreciated by these clients when they access a care service. Based on the foregoing, a pilot scheme was launched in two stores to expand physical, visual and auditory attention, with excellent results. The experience has therefore been extended to 6 branches, initially focusing on regions where the highest percentage of people with disabilities is concentrated. In addition, our work focus has expanded to the different care fronts: branches and stores, web pages, call centres, training and communication.



BEST PRACTICES

MOVISTAR + ACCESSIBLE

In Spain, our close collaboration with associations such as ONCE, CNSE, FIAPAS, CERMI and the Royal Board on Disability has allowed us to verify the viability of the pilot scheme we launched with Whatscine and Movistar +, whereby people with visual disabilities can access the content of our video platform via the Whatscine app.

Films can thus be followed by means of subtitles, sign language or audio description using a smartphone or tablet, without interfering with the user experiences of others.

MILESTONES 2015

► We developed the **Multi-channel Accessibility Project**, with the aim of improving our customers' experience by incorporating new accessibility criteria in all our channels: shops, the online channel and call centres. In this sense, our website has the AA certification established by the W3C (World Wide Web Consortium). In addition, since December 2014, our Movistar advertising campaigns in Spain have been accessible to any collective.

► **ATAM:** This initiative to support people with disabilities is organised by Telefónica in conjunction with 52,000 families belonging to both our active and disassociated workers. Regarded as a Public Utility entity, this private social protection system reached more than 17,000 users through its programmes providing psychosocial support to families, health, economic aid programmes, vocational integration and innovation.

COMMUNICATIONS IN EMERGENCY SITUATIONS

Information and communication technology has led to substantial improvements in the management of emergency situations. Having cutting-edge, secure and efficient technology optimises the coordination of both rescue and logistical operations, allows real-time action and deals more efficiently with the security challenges which occur after a catastrophe.

Beyond connectivity, new digital services based on the analysis of Big Data and the Internet of Things have great potential for improving the management of different emergency situations, including adaptation to climate change, migratory crises and pandemics.

At Telefónica we are fully aware of the importance of our networks and the potential of the innovative services we offer to address growing social and environmental challenges more effectively.

In the event of disasters, the response is primarily the responsibility of governments. We therefore encourage collaboration with these and humanitarian organisations in order to strengthen response strategies. Our action policy in these cases focuses on the

organisation and execution of the timely roll-out of telecommunications technology to assist and support efforts to prepare for and respond to natural disasters and emergencies.

We provide an early warning channel, facilitate the coordination of emergency team responses and logistical coordination, and we support vital communications between and to those who are affected.

Some of the initiatives we have undertaken are as follows:

► **Spain:** Agreement with the Military Emergency Unit (UME).

► **Brazil:** Agreement with the Ministry of Science, Technology and Innovation, and the National Centre for Natural Disaster Monitoring and Alerts (Cemaden).

Moreover, in early 2016, during the **Mobile World Congress**, we signed the **Humanitarian Connectivity Charter, promoted by the GSMA**. This document seeks to improve coordination among mobile network operators before, during and after a disaster.



Our Action Policy

The good management of telecommunications networks and services is the key to a quick and efficient emergency team response in disaster situations. In addition to establishing the Continuity Plans, necessary for ensuring the normal provision of services to customers in all the countries in which we operate, we include specific actions for complementing humanitarian aid:

- ▶ We prepare simulations in order to build, improve and update the processes, action plans, capacities and priorities in one response.
- ▶ We establish a basic code of humanitarian aid in coordination with national regulators in order to organise the participation of public and private companies.

- ▶ We support access to our mobile services during emergency, providing simplified and free access to vital communications, to the extent of reactivating suspended or cancelled services.
- ▶ We solve the communication infrastructure deficit by means of our satellite services. We thereby complement the other solutions, either as the only possibility of communication or as 100% diversified backup solutions. In addition, we can offer these services globally, regardless of geography and distances to nodes and centres, and deploy them rapidly.



FURTHER INFORMATION

Refer to the "Accessible Telco" section of our corporate website.

- ▶ We actively participate in the GSMA Association –an organisation of mobile operators and related companies, dedicated to supporting the standardisation, implementation and promotion of the GSM mobile telephone system–, through the organisation of a specific working group on "Responses to Disasters and Emergencies".

BEST PRACTICES

THE "EL NIÑO" PHENOMENON IN PERU

In 2015, at Telefónica in Peru we presented a Business Continuity Plan to the Ministry of Transport and Communications, which has been allocated 10 million soles, and takes into account all the key areas which could suffer an impact from the El Niño phenomenon in the country. The Plan is based on Telefónica's global Business Continuity policies and improvement processes in terms of critical services and processes availability, and incorporates an action plan in the event of any incident, anticipating the communication needs of our customers in such an emergency.

CHALLENGES 2016

- ▶ To reinforce our commitment to digital inclusion, focusing our investment on improving access to high-speed Internet services and adapting our offer to the needs of our customers.
- ▶ To increase LTE coverage in Spain to over 85% (compared to 75% in December 2015).
- ▶ To expand LTE coverage in Brazil to 60% (compared with 46.6% in December 2015), to reach 352 cities.
- ▶ To improve the accessibility of our on-site and virtual customer care channels.
- ▶ To expand the scope of accessible Movistar + services.
- ▶ To further the implementation of "Design for All" throughout all areas of the Company.



HUMANITARIAN CONNECTIVITY CHARTER

DEMONSTRATING THE MOBILE INDUSTRY COMMITMENT TO PREPARING FOR AND RESPONDING TO HUMANITARIAN CRISES





Innovation

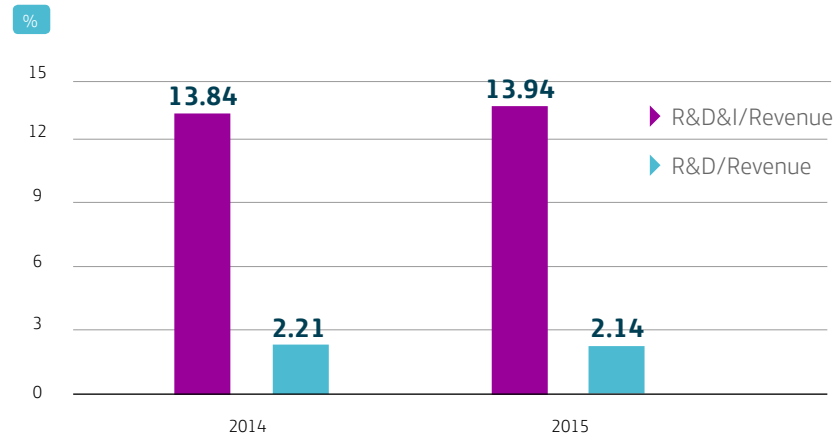
We are committed to technological innovation, seeing it as a fundamental tool for becoming one of the main actors in the new digital universe with the capacity to help create a more sustainable world and, in turn, obtain competitive advantages and unique products. Through the introduction of new technologies and the development of business solutions and processes, we aim to become a more effective, efficient and customer-oriented Group.

To this end, we base our innovation strategy on a balance between: promoting our own internal research and development capacities; fostering the creation of open innovation ecosystems; and developing sustainable services which generate a positive impact on economic, social and technological progress in the regions in which we operate.

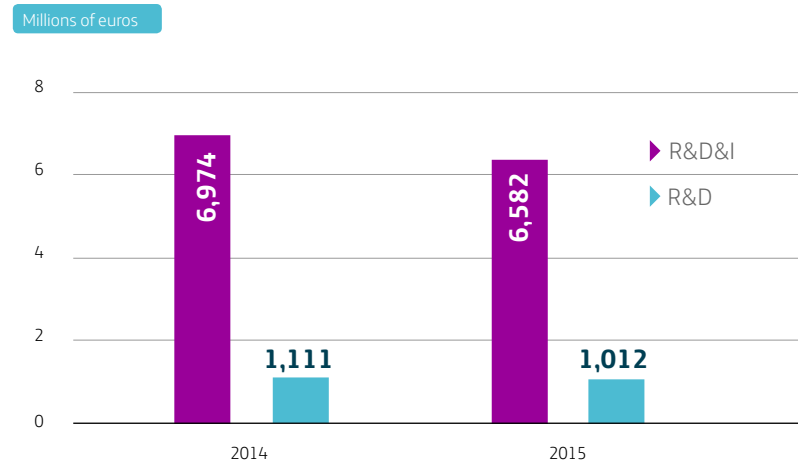
Spending on R&D totalled 1,012 million euros. It should be noted that according to the European Commission's *2015 EU Industrial R&D Investment Scoreboard*, we were fourth in the world ranking of telcos which most invest in R&D and second in Europe.

Note: These figures are not comparable due to the deconsolidation of O2UK.

R&D&I Investment/Revenue



Investment in R&D&I



Note: The 2015 data consolidates the results of GVT and DTS from May 1, 2015 and considers, from the first quarter of 2015, O2 United Kingdom as a discontinued operation. However, the 2014 data is not directly comparable in scope because of the exclusion of O2 United Kingdom and do not include GVT and DTS.

R&D AT TELEFÓNICA

Committing to innovation is the key to responsible and sustainable business because it allows us to put ourselves in the place of our customers and respond to their needs. Through research and development of solutions and technologies we seek to give our customers control over their digital lives.

Our centres of technological excellence represent one of the main tools used to manage our internal innovation. Five of them are located in Spain: Barcelona, Granada, Huesca, Madrid and Valladolid. There are also centres in the United States, Israel, Brazil and Chile.

The total expenditure on R&D was

1,012 MILLIONS OF EUROS



We also have a User Experience laboratory, by means of which Telefónica can get to know and understand the customer while working on the design of new products and services.

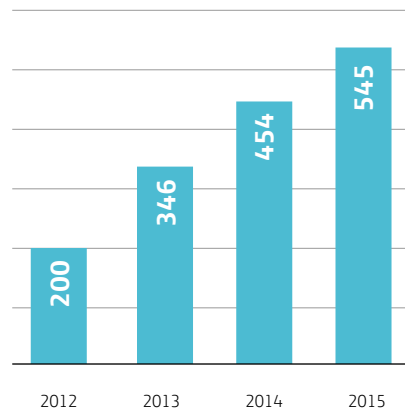
During 2015 we continued the implementation of the internal innovation methodology called Lean Elephants, which is already being recognised as an international reference in this area. So much so that the University of Berkeley is writing a business case based on it.

We also cooperate with other European operators and institutions. More than 50 Spanish and foreign universities and research centres have contributed to helping us create one of the most important innovation networks in the field of new technologies.

As a result of this work, in 2015 we submitted 23 new patent applications and utility models to the Spanish Patent and Trademark Office (SPTO), taking our total to 545 patents granted.

Regarding the main areas of research and innovation, this year we focused mainly on three pillars: Big Data, Internet of Things, Innovation in the Network and transparency.

Evolution of portfolio of patents granted



Big Data

We seek to study and analyse anonymous data as a tool to get a better understanding of our customers and thereby improve the products and services we offer. As a sign of the importance of responsible management in this field, in 2015 we created the area of Chief Data Office, which is responsible for Telefónica's overall strategy in matters of Big Data.

Examples of applications developed in this area include Smart Tourism, which analyses the behaviour of tourists, facilitating the design of strategies to increase customer acquisition, locate businesses and develop a more attractive and targeted offer; and Drives, an application

which analyses the driving patterns of users, allowing insurers to establish cost depending on the user's actual driving. As a result the premium paid by the driver can be determined depending on his or her actual driving and not, as until now, on purely statistical factors. The application has a social nature, as it encourages the user to improve his driving. In fact, 55% of drivers improved within three months of use.

In addition, the activities of the Data Transparency Lab continued during 2015. These can be viewed in the Digital Trust section of this Report.

Internet of Things (IoT)

During 2015 we focused on promoting development of the Internet of Things as a key tool for improving the connectivity and development of cities (Smart Cities). In this field we designed an advanced technological solution for the integrated management of cities and municipalities, making them smart and connected. Our platform for Smart Cities is based on FIWARE technology, developed in the European Union promoted project PPP Future of Internet, to increase agricultural productivity and manage energy consumption more effectively.



FURTHER INFORMATION

Refer to the "Big Data" section of our corporate website.

BEST PRACTICES

MOBILE CONNECT

The end of 2015 saw the launch in the first set of countries of **Mobile Connect**, the identification solution for Internet services sponsored by the GSMA. Instead of having to remember an infinite number of usernames and passwords, this solution allows the use of a phone number as an identifier and one unique password, which is entered into the phone by the user. We should mention that during the project's initial development Telefónica R&D used Lean Startup methodologies to standardise activity, making it a unique project and a world first.

FURTHER INFORMATION

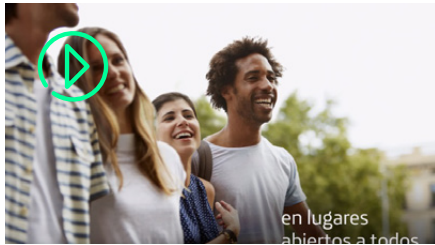
Watch the "Telefónica wins a Glomo Award for the Mobile Connect solution" video.





FURTHER INFORMATION

Watch the "Telefónica is an "On life Telco". Choose a city full of possibilities" video.



We must also mention the official opening this year of the Telefónica R&D centre in Chile. The centre focuses on research and development of Internet of Things projects applied to agriculture, mining and urban environments.

Innovation in communications networks

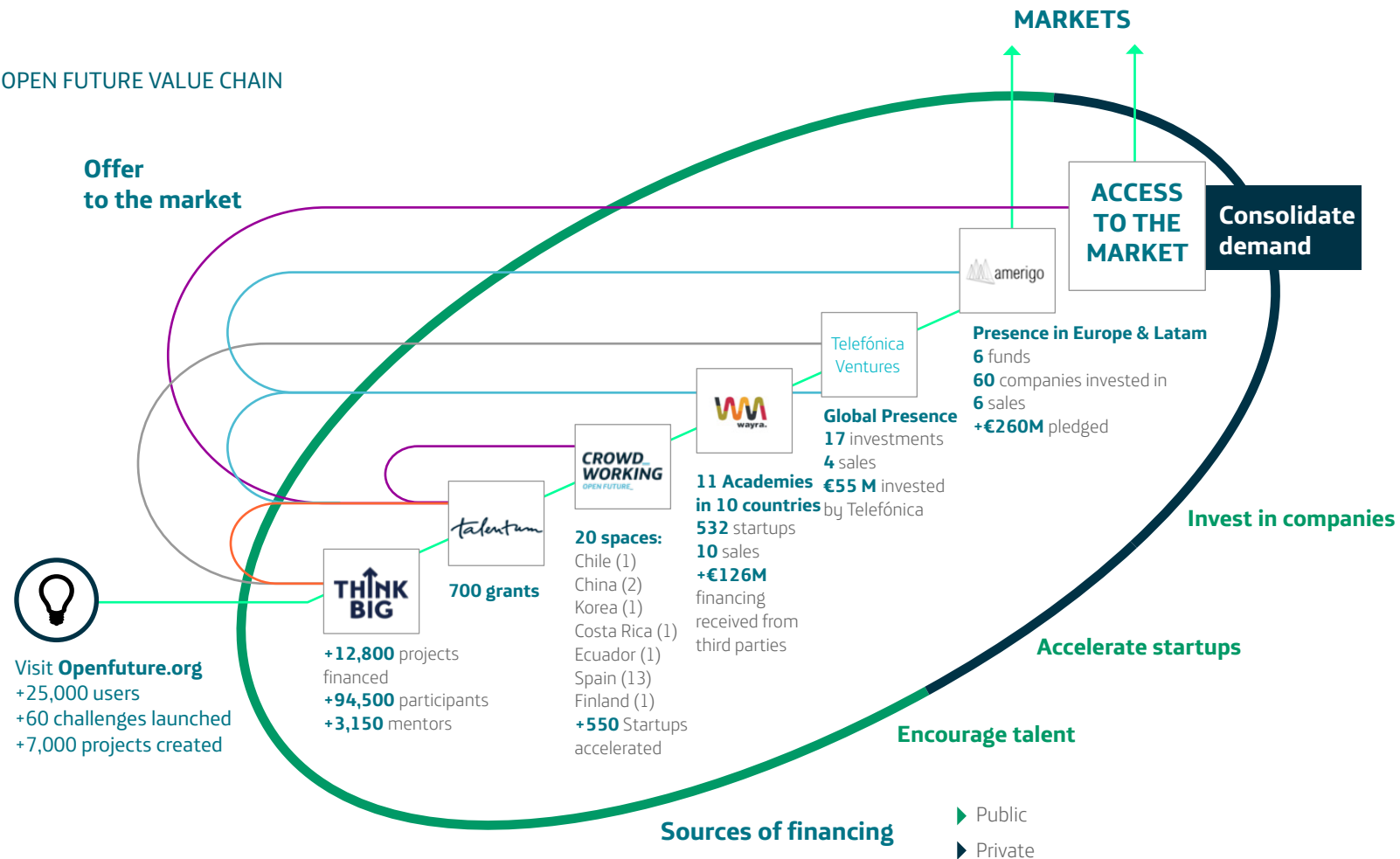
As a complement to innovation in services, we also focus on innovation and the improvement of our communications networks. Thus, for example, we worked in fields such as the virtualisation of network elements (NFV) and software-based networks (SND), the latter being an initiative we also promoted within the European Union's PPP 5G programme.

We also participated in the development and standardisation of the future 5G networks. In doing so, together with IMDEA Networks, we created 5TONIC, the first laboratory for 5G excellence in Spain, with the aim of fostering an open innovation and research ecosystem in which industry and academia can work together to promote the development of 5G technologies and their entrepreneurial environment.

OPEN INNOVATION: OPEN FUTURE

Telefónica Open Future is Telefónica's global platform which brings together all our activities, initiatives and projects in the field of open innovation.

OPEN FUTURE VALUE CHAIN





Through tools such as Think Big, Talentum, Crowdfunding spaces, Wayra, Telefónica Ventures and the Amérigo and CIP venture capital funds, we can invest in people, ideas and viable projects based on technology, at any stage of their growth, openly and in connection with public and private organisations.

Our open and transformative nature is one of the most defining characteristics of Telefónica Open Future, whose initiatives enjoy the cooperation and participation of public and private organisations, universities, co-investors and other stakeholders in the telecommunications sector and other industries.

With a team of 60 employees, a global Network of 120 collaborators and more than 7,000 entrepreneurs, we have helped to accelerate more than 850 startups and invested in more than 600. We have a direct presence in 16 countries in Latin America, Europe and Asia.

Telefónica Open Future ended 2015 as one of the main investors in the Spanish area of open innovation and positioned itself as one of the major Venture Capital investment funds in Europe and Latin America. We also helped to create more than 10,000 jobs.

BEST PRACTICES

QUANTENNA

This Telefónica Ventures startup was one of the success stories of 2015. We currently offer the Quantenna *chipset* in next-generation broadband entertainment services (IPTV) and wireless domestic network boxes for high-definition video transmission in countries like Brazil and Spain.

We promoted participation in various startups, allowing us to fuel project turnover. Thus, during 2015, we can highlight launches such as Marfeel, IAMAT and TRUSTEV by Wayra and BOX by Telefónica Ventures.

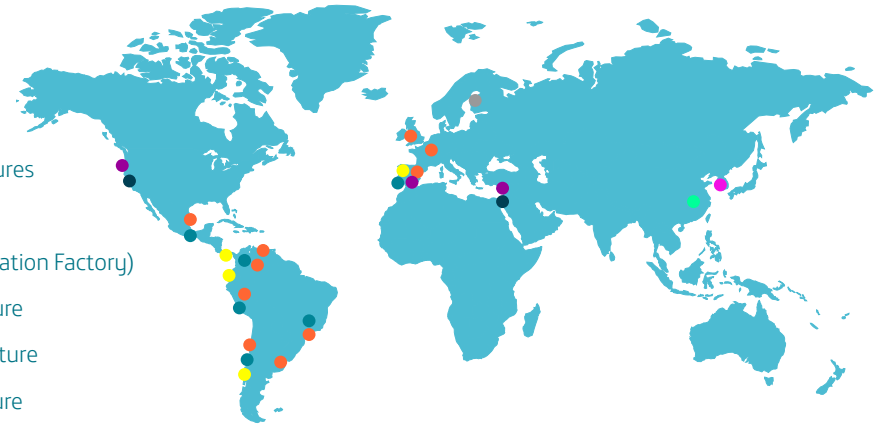
Furthermore, some of Amérigo's new startups are escalating with

TELEFÓNICA OPEN FUTURE_ IS A UNIQUE OPEN INNOVATION NETWORK

We encourage global talent by transforming innovative ideas into successful companies

Programme initiatives

- ▶ Crowdfunding
- ▶ Wayra
- ▶ Telefónica Ventures
- ▶ Amérigo
- ▶ CIP (Open Innovation Factory)
- ▶ China Open Future
- ▶ Finland Open Future
- ▶ Korea Open Future



very promising expectations, such as Job & Talent (23 M€), Carto DB (21 M€), the Peer transfer (18 M€), Packlink (12 M€ return) Inbenta (10 M€ return), Tadó (45 M€ return) and Wallapop (38 M€), with valuations close to 150 M€ in some cases.

At Telefónica Open Future we generate benefits in all aspects of society. According to the latest European Platform for startups report, in Spain we have invested in nearly one third of new companies and many others are in our flow of operations.





SUSTAINABLE INNOVATION

During 2015 we not only maintained our commitment to sustainability but we continued to promote the values of sustainable innovation in all areas of the Company, in such a way that it is a constant throughout the life cycle of the solutions we offer.

To do this, sustainable innovation is defined as innovation whose main objective is to address a social or environmental challenge, within our Company or outside it, while generating value; in other words, creating solutions which, as well as generating economic value, have a positive impact on society and the planet.

During 2015 we promoted the development of new initiatives for sustainable innovation via the Telefónica Open Future platforms, such as the first call for "Sustainable Innovation", whose aim was to detect ideas and projects with a strong social or environmental impact. Similarly, our research and development units continued to analyse the potential of our technologies for generating social benefit, such as Big Data for Social Good and research into agricultural solutions.

Although sustainable innovation is regarded as a transversal principle within the Company and is integrated into our internal processes, we defined a series of categories of services and solutions which stand out for the value they bring to society and the positive impact they generate, upon which we placed special emphasis during the year:

CATEGORIES OF SUSTAINABLE PRODUCTS AND SERVICES



Health – eHealth:

eHealth solutions are a key tool for meeting major challenges arising from the demographic, social and economic changes faced by society. For this reason, during 2015, we invested in the development of innovative services in the areas of Health and Telecare.

FURTHER INFORMATION

Watch the "Telefónica eHealth" video.



Services like Saluspot have attracted over 200,000 customers in Latin America, allowing their users to resolve queries related to health and ask a community of thousands of associated health professionals questions over the mobile phone.

Other projects such as Valcronic and ICOR, for chronic patients or patients with heart failure, have demonstrated an improvement in the care of these people. More than 80% of the patients cared for expressed their preference for these projects over traditional monitoring, while there was a 30% reduction in hospital emergency admissions for chronic or heart failure symptoms.



FURTHER INFORMATION

Refer to the "Sustainable innovation" section of our corporate website.



Financial services:

In developing countries the financial inclusion indicators display a significant gap with other countries. According to the World Bank, in Latin America 51% of the population have bank accounts, set against ratios above 95% in developed countries.

We undertook to stimulate, in particular, the most disadvantaged segments, working closely with governments and financial institutions, and developing ecosystems which allow the whole population to access financial services. More specifically, in Brazil we have launched the sale of **iZettle card** readers, devices with which payments can be made by credit card or debit card via a smartphone or tablet. This initiative offers our customers the possibility of accessing the financial ecosystem in order to perform daily banking operations.



Environment and Smart Societies:

The so-called "Smart Societies" solutions, whose aim is to promote environmental sustainability through the management and development of "Green ICT" solutions, include projects such as Smart Heritage, which strives to transform the current management model focused on the corrective restoration of assets into more efficient and sustainable preventive

conservation. This solution is aimed at preserving both historical sites and the assets they house (sculptures, paintings, furniture, etc.).



Education:

During 2015, we gave new impetus to **Telefónica Educación Digital**, through a new strategic orientation which has led to its expansion in Brazil, Chile, Colombia and Peru. It currently has more than 300 customers in Europe, USA and Latin America and provides training for 4 million students on different platforms; similarly, it has a content factory with an output of more than 40,000 hours of production per year.

At Telefónica Educación Digital we promote education via different learning platforms, including MiriadaX, the first Latin American platform for MOOC courses, with 2,089,986 students and a library with 404 courses from 77 Latin American universities and institutions. In order to lead the most innovative and disruptive experiences in this area, we are founding members of the MOOC World Expert Committee, a public-private partnership based in Washington.



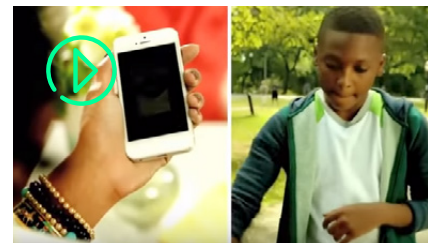
Security:

On the one hand, we offer services and products via ElevenPaths, including, during 2015, Tacyt, a mobile cyberintelligence ecosystem which monitors, stores, analyses, correlates and classifies millions of mobile apps. Its advantages include the ability to detect threats to a company's brand and the possibility of preventing fraud against customers and employees, in addition to identifying the *modus operandi* which lies behind malware.

In addition, we have launched projects such as FILIP, the new *wearable* phone with a tracker for children. A device designed for children from 4 to 10 years of age to wear, with restricted calls, a tracker, a security area warning and emergency calls.

FURTHER INFORMATION

Watch the "In Spain Movistar markets the FILIP, the first smart watch for children between 4 and 11 years of age" video.



Sociocultural diversity:

This category encompasses projects which improve physical accessibility to the environment, as well as care for collectives with special needs.

Through ATAM, the non-profit social entity, and in partnership with other bodies and organisations, we have worked on the VIVE Libre solution, a tool which provides support for people with special needs via an application and a specialised care centre.

CHALLENGES 2016

- ▶ To continue leading investment in R&D in Spain, as a driving force for value creation and progress in the sector and society.
- ▶ To be a leading investor and accelerator in new technological companies in Spain and Latin America.
- ▶ To further enhance the values of sustainable innovation, throughout the life cycle of the processes and solutions we offer.
- ▶ In 2016 we will include metrics for measuring our social and environmental impact in key services.



Social and cultural action

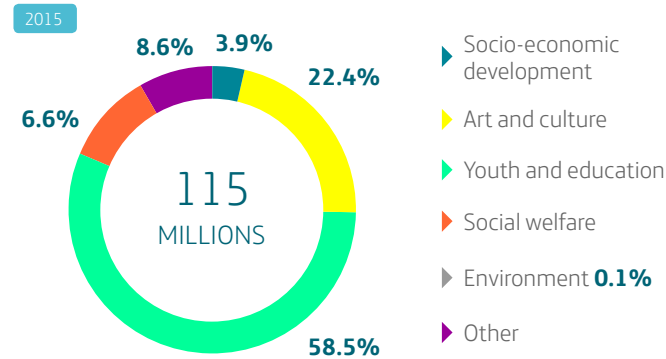
At Telefónica we promote social and cultural action in the countries in which we operate, in order to improve society and the quality of people's lives.

During 2015 we allocated 115 million euros to social and cultural initiatives, in accordance with the methodology of the LBG standard. This amount represents a percentage of 0.25% of the Group's revenue - a figure similar to that of the previous year.

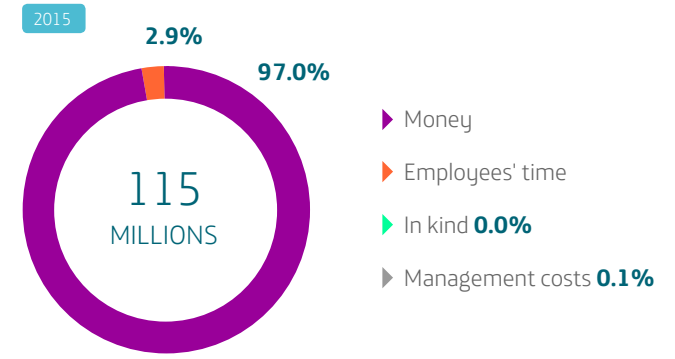
97% of the amount allocated was made up of monetary contributions.

FURTHER INFORMATION
Refer to the "Society" section of our corporate website.

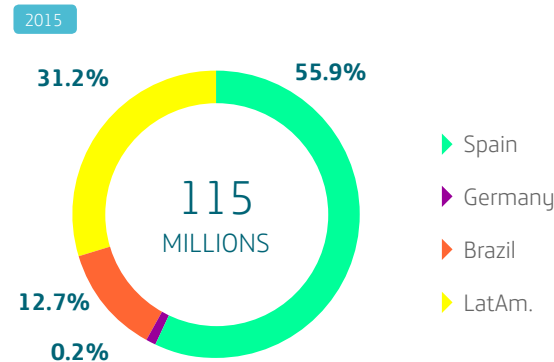
CONTRIBUTION TO SOCIAL AND CULTURAL ACTIONS⁽¹⁾



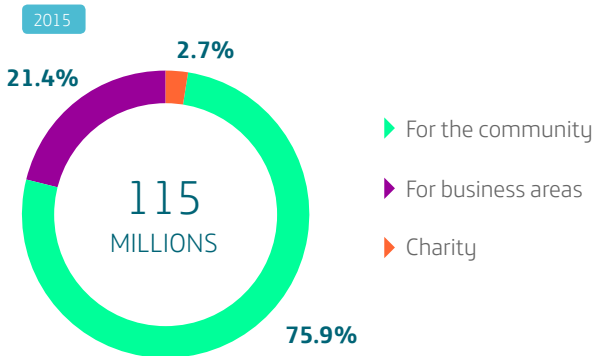
FORM OF CONTRIBUTION⁽¹⁾



CONTRIBUTION BY GEOGRAPHIC AREAS⁽¹⁾



CONTRIBUTION BY ACTIVITY TYPE⁽¹⁾



(1) The data from Fundación Telefónica and ATAM were pending audits at the time of completion of this Report.



BENEFICIARIES

Beyond the economic contributions we make to social and cultural initiatives, we care about the achievements obtained as a result of these contributions. In this regard, we should highlight that, in 2015, **Fundación Telefónica** programmes directly reached more than three million people, of whom almost half were children.

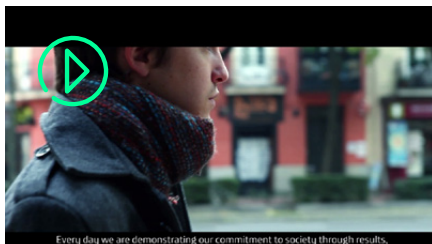
EDUCATION

At Telefónica we promote education as a tool for contributing to equal opportunities and encouraging the construction of a new, global and inclusive society. We therefore articulate our activity in this area by focusing on projects with social impact, through Fundación Telefónica, and business solutions, through **Telefónica Educación Digital**.

Our commitment is reflected in figures; we are the third company in the world in terms of educational investment, with an annual contribution of around 130 million

FURTHER INFORMATION

Watch the "What does Fundación Telefónica do?" video.



euros, according to the estimates of the **Varkey Foundation and UNESCO**.

65% of current primary school students will work in professions which do not yet exist today, in which digital knowledge will have a great influence. Therefore, at Fundación Telefónica, we trained 64,832 teachers in 2015, thereby affecting the education of 1,378,403 children.

We carried out social action projects which focused on five problems common to all the countries in which we operate: the Digital Divide, Functional Illiteracy, Lack of Personal Values and Skills, Youth Unemployment and Obsolete Educational Models.

	2015
Assisted child labourers	71,555
Children who receive training	280,659
Child beneficiaries of the training initiatives for teachers	1,101,953
Young people who receive training	77,239
Other young people actively participating in Think Big ⁽¹⁾	5,925
Teachers who have received training from Fundación Telefónica	67,552
Volunteers who participate in training	9,076
Adults who receive training (non-teachers)	71,007
Attendees at events (in person only)	132,491
Attendees at exhibitions	1,325,849
TOTAL BENEFICIARIES ⁽²⁾	3,154,635

(1) Think Big: an innovation and social entrepreneurship programme aimed at young people between 15 and 25 years of age.

(2) This data includes Fundación activities in the United Kingdom.

VOLUNTEER WORK

At Telefónica we put the time, talent and professionalism of our employees towards the service of charitable causes. Telefónica Volunteers is currently one of the largest corporate volunteer initiatives in the world.

The Telefónica International Volunteering Day, held on 16 October, is an initiative whereby thousands of Company employees all over the world devote the day to conducting different charitable activities. In 2015 about 14,000 people were involved in more than 500 activities organised by Telefónica in 33 countries in Europe, Asia and Latin America. This year the day was marked by debate and support for the

refugees arriving in Europe. Thus, a double solidarity challenge was launched: to get 100 volunteers to support this collective and 80 partners to collaborate with the Spanish Commission for Refugee Aid (CEAR).

In addition to the International Volunteering Day, our employees performed other volunteer activities throughout the year, such as solidarity meals, the campaign to raise funds for the fight against cancer, the Fundación Telefónica employment drives, etc. All these activities can be viewed on [its website](#), which is open to proposals from the employees themselves.

FURTHER INFORMATION

Watch the "Teresa Perales: objective Rio 2016" video.



The total number of employees who participated in Telefónica volunteer programmes in 2015 was

27,110

PEOPLE

