



# 8



## Commitment to society

- Human Rights
- Digital inclusion
- Social and cultural action

# Human Rights\_

## OUR COMMITMENT

The respect for Human Rights is one of the pillars of our Responsible Business Principles and is reflected in the explicit commitment that we published in 2013 in accordance with the United Nations Guiding Principles on Human Rights.

Our approach is based on five basic components that cover the sphere of influence of the Company: our people, our technology, our suppliers, our role in communities and our role to bring change through participation and partnership with stakeholders.

## OUR DUE DILIGENCE IN THE FIELD OF HUMAN RIGHTS

In 2012 we carried out an assessment regarding the potential impacts of our Company on Human Rights, following the directives of the United Nations Guiding Principles on Human Rights. The evaluation was carried out in 16 countries and identified 15 topics.



Our due diligence model has been built according to the following management model:

1. Integration of our commitment to Human Rights into our policies and processes both corporately and locally.
2. Evaluation of the impacts on Human Rights in each of our markets.
3. Adaptation of the current complaints system to include all evaluated aspects of Human Rights.
4. Continued commitment, together with all stakeholders, to unite efforts in addressing the risks of the industry and create innovative solutions that allow us to take advantage of the opportunities.
5. Monitoring and reporting on the progress and challenges both globally and locally.
6. Update our 'impact on Human Rights' matrix to adapt it to the reality of the sector, our strategy and the context in which we operate.

We have been progressing with implementation of this model in all the countries in which we operate. As part of the monitoring exercise we have realised that current changes in the digital industry and the definition of Telefónica Group's new strategy mean a review of the first impact assessment should take place.

We are on the brink of a new era: robotics, artificial intelligence and automation... All of these are going to shape the future. Digital Services, hyper-connectivity, the correct use of Big Data and artificial intelligence will change the market in which we are competing and will have an impact on everyone's lives. It is important to be aware of the potential impacts that these developments may have on Human Rights, and to have established work plans in place to mitigate these impacts.

As part of our due diligence, in 2016 we began an update of our 2013 impact evaluation on Human Rights.

We seek to understand the potential impacts of our strategy, of the new activities of the Group, and of a digital environment in constant change, taking as a starting point the results of the previous evaluation and following a methodological framework, the point of reference for which are the United Nations Guiding Principles on Business and Human Rights.

In order to determine and differentiate between the different levels of connection and influence of the potential impacts to Human Rights, five areas of analysis (employees, supply chain, business activities, corporate expansion activities and transversal issues) were defined, along with the possible impacts associated with each one.

In this first phase, 23 Human Rights issues have been identified:

## INTERNAL AFFAIRS



- ▶ Inequality of working conditions between different countries, work positions and the Company's internal workers vs. outsourcing.
- ▶ Discrimination and diversity.
- ▶ Guarantee of freedom of association with Trade Unions.
- ▶ Restructuring of organisational functions.

## SUPPLIERS



- ▶ Impacts related to mining in conflict.
- ▶ Fair, equitable, satisfactory and respectful conditions of the labour rights of outsourced workers.

- ▶ Environmental impacts related to recycling of electronic scrap materials.

## CUSTOMERS

- ▶ Digital divide: full access to telecommunication services.
- ▶ Imposition of excessive contractual charges and additional charges as a consequence of abusive working conditions.
- ▶ Subliminal, misleading, aggressive and discriminatory advertising.
- ▶ Safety of products and services supported on the Network.
- ▶ Neutrality and respect for the right of freedom of expression in the dissemination of information on the Network.
- ▶ Disclosure of sufficient and transparent information on mechanisms for the collection and processing of data.
- ▶ Possible unlawful or unauthorised uses of data.
- ▶ Generation of cognitive models using customer and operational data.

- ▶ Appropriate, proportionate and legitimate use of technology.

- ▶ Impacts on communities of the maintenance, construction and development of infrastructure.

- ▶ Quality and stability of telecommunications networks.

## CORPORATE BUSINESSES

- ▶ Quality assurance of due diligence in Human Rights in M&A operations, Joint ventures, partnerships and technology transfer agreements.

## TRANSVERSAL ISSUES

- ▶ Bribery and Corruption.
- ▶ Financial Responsibility.
- ▶ Impacts on the rights of children as subjects of special protection and care.
- ▶ Impacts associated with emerging technologies.

In this update we take into account the following sources of information:

- ▶ Opinions of experts, NGOs and regulators in relation to the impacts of new technology.
- ▶ The Company's commercial strategy.
- ▶ Opinions of internal teams on our capacity to manage any possible impacts.

On the basis of dialogue and following the criteria of the Guiding Principles, issues that require further attention are prioritised. This prioritisation will cross the relevance variables of the issue with our management level:

- ▶ For the Company's strategy, the sector, the regulator and the market, as well as the frequency of occurrence and Telefónica's connection with our impact.
- ▶ The management level variable assesses the policies, procedures, responsible, measure indicators and management capacity of Telefónica's complaint mechanisms.

When this task is finalised we will have an up-to-date impact matrix which defines which issues are priorities for Telefónica and which new areas of action must be applied with the aim of continuing to ensure due diligence in the field of Human Rights.

#### COMPLAINTS AND CLAIMS MECHANISMS

Even with the best policies and practices, in some cases we cannot avoid causing or contributing to an adverse impact on Human Rights. At present, consultations and queries regarding Human Rights may be raised through the [Responsible Business Channel, published on the Sustainability corporate web page](#).

The channel was created at the end of 2016, with the aim of establishing a communication system with our stakeholders and is directly linked to the Responsible Business Policy and our commitment to Human Rights, in accordance with the principles of respect, confidentiality, diligent response and thoroughness.

We have a procedure in place that guarantees that the Channel works as it should.



Once we receive any communication, we analyse it, we reply to the sender and, where necessary, forward it to the appropriate department. Once this department resolves the issue, we communicate the solution to the person concerned, thus closing the query.

Since the opening of the channel in October of 2016, we received 263 queries through to December 2016 that were processed through the relevant departments according to the issue raised.

Our focus on Human Rights *is based on what we consider basic components: our employees, technology, service providers, and our role in society*

## ERADICATION OF CHILD LABOUR

Preventing and eradicating child labour is an international objective, present on the development agendas of various countries.

In this regard, we are committed to goal 8.7 of the Sustainable Development Goals, which aims to "take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking, and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms". Proof of this is the fact that we are the only company in the telecommunications sector which is part of the Colombian Network against Child Labour. Here we work to comply with the six commitments signed in 2014, which strive to ensure the eradication of child labour within the Company, in the supply chain and in its areas of influence.

## BEST PRACTICES

### WORLD DAY AGAINST CHILD LABOUR

On Sunday, 12 June 2016 we celebrated the World Day against Child Labour with the companies and partners of the Colombian Network Against Child Labour, mobilising the Campaign *#SacaleLaLengua al Trabajo Infantil* (Stick your tongue out to Child Labour), which managed to trend on Twitter. At this meeting, new companies and partners signed to join the Network. Currently, this Network consists of 15 partners and 35 companies.

Likewise, in 2016 within the framework of the Colombian Network against Child Labour, an Educational Session for Suppliers was organised, during which the Company participated in two days of awareness sessions with partners in Bogotá and Barranquilla.

In addition, the Company continued to promote the use of *"Aquí Estoy y Actúo"* (I Am Here and I Will Take Action), a platform that allows organisations access to a diagnosis on the issue of child labour. At the end of 2016, of the 199 organisations which have registered, 60% had already been able to perform a self-diagnosis.

In Chile this platform was released among 50 collaborating companies, with the aim for them to be able to perform a self-diagnosis procedure on the risk of child labour in their supply chains. All suppliers of the Telefónica Foundation in Chile are obliged to use the platform, as well as any new supplier that may participate in one of our nation-wide procurement processes.



# Digital Inclusion\_

We develop innovative and sustainable solutions that add value to the communities in which we operate and enable us to bring connectivity and Internet services to everyone, regardless of their location, economic status or disability.

## HOW DO WE ENSURE DIGITAL INCLUSION?



Beyond efforts to investment in Network deployment, we develop affordable and accessible connectivity solutions through technological innovation and new business models, so as to ensure that everyone has access to the benefits of digital transformation.

## MANAGEMENT FOCUS

### WHY IS IT A KEY ISSUE?



Access to high-speed broadband networks is the basis for development of the digital economy. In this regard, as a connectivity provider, Telefónica has the goal of reaching increasing numbers of people and, therefore, plays a fundamental role as a catalyst of digital transformation.

### WHERE IS THE IMPACT?



The impact is felt directly by people who are excluded from the potential benefits offered by the digital revolution through connectivity services. It is also felt through a more efficient response to emergency situations and natural disasters.

### TELEFÓNICA'S OBJECTIVE



We want to increase investment in new projects and sustainable innovation initiatives, with a special focus on connecting the unconnected and bringing Internet to rural areas. We also aim to continue incorporating accessibility as a natural element, while spreading the best practices acquired in our various operations.

Indicators	2015	2016
Investment in a Universal Service (millions of euros)	324	343
Smartphone penetration	48.5%	49.5%

## SUSTAINABLE DEVELOPMENT GOALS





With the digital revolution we are experiencing a period of great social and economic development in which technology opens the door to a world of information and knowledge. Connectivity is, therefore, a great ally that enables us to guarantee access to digital life, with the best technology and without leaving anyone behind.

It has been shown that digital inclusion, which can be defined as the expansion of global connectivity and the adoption of Internet services, can bring economic and social benefits in addition to having a great potential to help reduce poverty, improve infrastructure or increase access to services such as health, education or financial services, among others.

In the last decade, thanks to investment in Network deployment and new business models, we have been able to extend the coverage of our services and reduce the digital divide rapidly (for further information, see the chapter on 'Network deployment').

However, despite all this progress, barriers to digital inclusion still exist, leaving the

**Connectivity** is the great ally that enables us to *guarantee access to digital life*

communities that are either not connected or neglected, to run the risk of falling further behind, in addition to losing the opportunity for growth and development.

For this reason, we believe that the solution for reducing this divide should be comprehensive and involve both private companies and public authorities and administrations. This is one of the major challenges that we will face in the coming years. To overcome it, we have already begun work on the following fronts that will help us to make progress in the communities in which we operate:

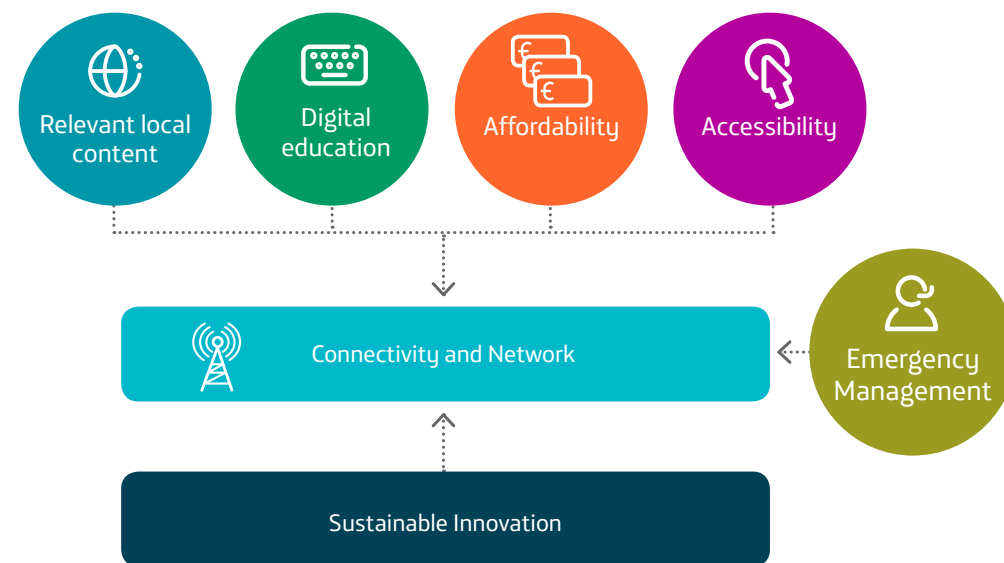
► **Network deployment in remote areas:**

Ensuring access to technology through the deployment of our network in regions or geographical areas with difficult access.

► **Emergency response:** Developing policies and solutions which will enable us to act in an effective way in response to natural disasters, bringing our communications services to both the population and emergency teams, and working on our infrastructure to ensure the continuity of the service.

► **Digital Education and Development of Local Content:** Through educational programmes that increase the adoption and use of the Internet and the removal of knowledge barriers regarding digital services. In addition, we promote the development of content which is relevant for our customers.

## DIGITAL INCLUSION



► **Accessibility:** Ensuring the accessibility of our solutions for all groups and people with any kind of disability.

► **Affordability:** Developing new business models that enable all segments of the population to access our products and services, regardless of their financial resources.

► **Sustainable Innovation:** Developing new innovative solutions which seek to have a positive social and/or environmental impact and generate long-term value for our Company.

## CONNECTIVITY AND NETWORK IN REMOTE AREAS

In addition to Network deployment and investment in infrastructure, we carry out specific projects that seek to bring connectivity to remote and rural areas through innovative business models which guarantee a return on investment.

With about 64 million people who still do not have access to mobile broadband networks in Latin America of (GSMA data), these solutions are intended to ensure that everybody has access to communication and the digital world. We believe that the Internet and mobile communications have the potential to make a positive impact on the transformation of people's lives, offering benefits in a number of areas such as health, education, financial services, transport and agriculture, among others.

Models such as the sharing of Network infrastructure, use of new frequency spectra or network virtualisation solutions are helping reduce the investment required for deployment, which enables new areas to be reached so that more people can access communication services. For further information, see the chapter on 'Network deployment'.

### Universal Service

The Universal Service is a public investment fund, financed by special taxes on telecommunications operators, which has the

objective of ensuring connectivity for the entire population, with a minimum level of quality guaranteed and affordable prices.

We currently provide Universal Service funds in 7 countries: Argentina, Brazil, Colombia, Ecuador, Spain, Peru and Venezuela, where they are subject to the control and monitoring of the public bodies appointed by each country for such purpose.

## CONTRIBUTIONS TO THE UNIVERSAL SERVICE

(Millions of euros)	2016
Argentina	111.8
Brazil <sup>(1)</sup>	138.1
Colombia <sup>(2)</sup>	50.8
Ecuador	4.6
Spain	16.5
Peru <sup>(3)</sup>	20.5
Venezuela <sup>(4)</sup>	1.7
<b>TOTAL</b>	<b>343.1</b>

(1) Includes figures for 2016: FUST 316,161,466 and FUNTTEL 158,057,748; and 2015: FUST 275,875,221 and FUNTTEL 137,937,611.

(2) The figures from Q1-3 are real, the Q4 figure is an estimate.

(3) Includes services provided by Telefónica del Perú S.A.A., Telefónica Multimedia S.A.C., TIWS and Media Network S.A.C. Does not take into account the pending annual adjustment.

(4) Timetrac: 2,117,100.04/Telefónica: 1,198,326,275.14.

## BEST PRACTICES

### INTERNET FOR EVERYONE

The Telefónica I+D teams, together with the team for rural connectivity in Peru, are working on new, more efficient solutions, which will enable mobile communications networks to be deployed in remote areas of the Peruvian rainforest, where it is estimated that there are still more than 1 million people without Network coverage.

This project provides 4G connectivity to rural populations using innovative software technology, such as the integration of satellites, flight networks, virtualised radio, small cells, software-defined networks and network virtualisation features, among others.

This initiative is an essential part of achieving a sustainable model that provides Internet access in the most remote areas. The project offers Network flexibility, elasticity and profitability, as well as the capability to move this model to other unconnected regions.





## EMERGENCIES

Having cutting-edge, secure and efficient technology makes the difference in emergency situations, as it optimises the coordination of rescue and logistical operations, enables real-time action and helps to deal more efficiently with the security challenges faced after a catastrophe. For these reasons, technology and telecommunications are increasingly important in emergency situations, improving the management and increasing the speed of operations.

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

The new services born of the digital transformation have great potential to improve efficiency in emergency situations. Digital services based on the analysis of Big Data or the Internet of Things enable progress to be made in the adaptation to climate change, and also enable prediction of behaviour patterns in migrant crises or pandemic outbreaks.

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

technology to assist and support the efforts that are made to prepare for and respond to natural disasters and emergencies.

We also provide an early warning channel; we facilitate coordination of the response of emergency teams, logistical coordination, and support to vital communications between, and with, those who are affected.

Among the noteworthy initiatives we have undertaken are:

- ▶ **Spain:** Agreement with the Military Emergency Unit (Spanish acronym: UME).
- ▶ **Brazil:** Agreement with the Ministry of Science, Technology and Innovation and the National Centre for Natural Disaster Monitoring and Alerts (Spanish acronym: Cemaden).

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

### Response Policy

The key to a quick and efficient response by emergency teams in disaster situations is the good management of telecommunications networks and services. In addition to establishing the Continuity Plans needed for ensuring the normal provision of services to



our customers, we include specific actions that complement humanitarian aid in all the countries in which we operate:

- ▶ We carry out safety drills in order to build, improve and maintain up-to-date the processes, action plans, capabilities and priorities in a joint response.
- ▶ We have established a basic code of humanitarian aid in conjunction with the national regulators in order to ensure orderly participation of public and private companies.
- ▶ We support access to our mobile services during emergencies, providing simplified and free access to vital communications, until suspended or cancelled services have been re-established.
- ▶ We solve the communication infrastructure deficit by means of our satellite services. We thereby complement the other solutions, either as the only possible form of communication or as 100% diversified backup solutions. In addition, we can offer it globally, regardless of the geography and the distances to nodes and centres, and deploy it rapidly.



- ▶ 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) so as to organise a specific working group for "Responses to Disasters and Emergencies".
- ▶ We promote innovative projects that seek out new tools and processes in order to improve the response to emergency situations.

### CHALLENGE FOR 2017

To promote the development of policies and solutions that respond to emergency situations and natural disasters.

## BEST PRACTICES

### AID DURING NATURAL DISASTERS

#### Chile

After the large earthquakes that struck Chile, we have continued with the development and improvement of the business continuity contingency plan, which includes carrying out simulations and safety drills on a regular basis.

In the event of an emergency, local, long distance and mobile calls can be enabled through 188 short codes which are free of charge. In the same way, free telephone boxes can be set up for those who do not have a telephone of their own. Customer billing may be deferred, and in some cases suspended for services such as SMS, paging and phone calls, depending on the context and the duration of the emergency.

#### Mexico

Together with the other mobile operators in Mexico, we have announced our commitment to the We Care initiative, by supporting the Humanitarian Connectivity Chapter principles of the GSMA with the aim of collaborating with the authorities in the implementation of preventive measures to mitigate the impact that natural disasters can cause and reinforce coordination during prevention, response and recovery stages.

#### Ecuador

In April 2016, Ecuador was shaken by an earthquake reading 7.8 on the Richter scale, which required a global and coordinated response from the entire Telefónica Group in order to assist and support those affected. To that end, satellite phones were sent for rescue work, coordination with security forces and emergency care. Also, equipment was installed at mobile emerging service points (Spanish acronym: PSEM) and vans were deployed that travelled in a coordinated way through the affected areas offering free calls upon request. In addition, mobile recharging points were used to alleviate the lack of power supply.

Furthermore, an aeroplane was sent to the country with supplies and experts who assisted in the rescue of victims. Also, the Group operators in Venezuela, Spain and Guatemala temporarily offered free calls to those who had family and friends in the area.

In parallel, the Ecuadorian teams worked intensely from the start, to re-establish the service of the base stations that were hit by the earthquake, as well as to support the Ecuadorian Government in the texting of safety instructions to the general public.

## DIGITAL EDUCATION AND DEVELOPMENT OF LOCAL CONTENT

Despite the fact that basic literacy rates are increasing, in some sectors of the population the digital skills and literacy divide persists, hindering access to and use of many products and services that the Internet offers.

Digital literacy is defined not only as the set of skills that enable users to access the Internet, but also as those skills that enable them to browse websites and assess and create information via digital devices.

For this reason, aware of the importance of digital education, we have implemented programmes in every country in which we operate through our Foundation, which have the aim of promoting the knowledge of digital tools, or making use of them to ensure a quality education. For further information, see the chapter on 'Social and cultural action'.

— *20% of the population does not access the Internet because they do not know how or **do not see the need***

Furthermore, the lack of relevant content for users in their own language or that covers local interests, including services or content that are not adapted to people with special needs, is a challenge which hinders the adoption of digital services. Therefore, since the perceived value of the Internet and literacy are essential for promoting the development of and access to digital services, it is important for us not only stimulate the creation of relevant content locally, but also to improve the digital skill set.

Projects such as Think Big support and encourage local entrepreneurial talent by helping to convert innovative ideas into businesses, and thereby facilitating the creation of local solutions that favour the use of the Internet. For further information, see the chapter on 'Innovation'.

## CHALLENGES FOR 2017

— To ensure the value of online services and content offered to populations with fewer resources.

## AFFORDABLE SERVICE

As regards our goal of being able to connect people, we know that it is very important that the services we offer are affordable for the population, regardless of their social status.

The adoption of fixed broadband, and especially mobile broadband, has improved significantly during the last decade. However, despite this progress, there are still sections of the population that cannot access it, mostly for economic reasons, especially in Latin America. Even taking into account the significant reduction in telecommunications rates recorded in recent years (between 2010-2015 they reduced annually by an average of 8.17%) the average income of the population at the bottom of the region's demographic pyramid is so small that this progress does not allow them to overcome the economic barrier.

In this regard, the Sustainable Development Goals (SDG) also highlight the potential of the Internet with regard to social and economic welfare.

The cost of a mobile phone for the poorest 40% of the population can amount to **17% of their income**

Similarly, in the case of small businesses and entrepreneurs, being able to access affordable telecommunications services helps them to promote and develop their businesses.

The pay-as-you-go mobile service, a differentiated broadband provision and service packages for small businesses and entrepreneurs are key tools for increasing penetration among sectors of the population with lower incomes.

### A unique and tailored offer

In the mobile market, as well as with regard to Internet access, competition, technological and commercial innovation and private investment have enabled millions of people to access telecommunications services. Offering a flexible range of plans is key to ensuring we reach all segments of the population, since, in this way, our customers can decide what to access based on their own demand and on what they can afford.

Access to the Internet, both via fixed broadband and through smartphones, is the main factor that has a determining influence on the affordability of our services. For this reason, in the markets in which we are present, our customers can now access the Internet (1GB per month) for less than 4% of the gross national income. In Latin America, we have been pioneers in the development of pay-as-you-go rates as a tool for promoting mobile services, which has

## DIGITAL INCLUSION INDICATORS

(%)	Dec. 2015	Dec. 2016
Smartphone penetration	49.5	57.1
Pay-as-you-go	49.5	43.1
Contract	37.7	81.8
LTE smartphones (millions)	126.2	147.2
LTE penetration	15.7	25.3

## BEST PRACTICES

### ACCESS FOR THOSE WITH THE LOWEST INCOMES

Mainly in Latin America, we are developing new initiatives to facilitate access to mobile broadband and to new services that favour the inclusion of lower-income sectors of the population. Some key examples are:

- **Charges per day:** In Argentina, we offer the "Internet per Day Plus" tariff, which provides 50MB per day at AR\$6.5 (US\$0.41).
- **Charges per application (app):** Movistar Peru offers unlimited access to social media (WhatsApp, Facebook and Twitter) for 1

Peruvian nuevo sol per day (US\$0.30) in 15-day or 30-day packages.

- **Co-payments:** These programmes, established in collaboration with governments, enable any customer, regardless of their economic level, to access the services they wish, thereby selecting and controlling their expenses. Thus, for instance, in Colombia, the [Colombia Internet Móvil](#) social initiative was launched, with the aim of extending adoption and use of the Internet.

allowed us to attain an average penetration of 112%.

As regards smartphones, these devices are essential for accessing the Internet, since their price is significantly lower than that of other terminals and they are increasingly widespread

— In *Latin America*, between 2010-2015, mobile broadband rates *reduced* annually by an average of *8.17%\**

(\*) Source: "Initiatives for bridging the digital divide in Latin America". Author: Raul Katz, CET.LA, August 2016.

57.1%  
of our mobile customers  
*have a smartphone*

in the region. Hence, smartphones are a key tool for reducing the digital divide in the most economically vulnerable sectors.

Moreover, these handsets do not require significant skills for their use, which in turn can bring down certain barriers arising from a lack of digital literacy. 57.1% of our mobile customers currently have a smartphone, 43.1% of whom are pay-as-you-go customers.

#### CHALLENGES FOR 2017

To seek and reinforce initiatives to facilitate and enhance Internet access for lower-income households.

43.1%  
of them are  
*pay-as-you-go*





## ACCESSIBILITY

We want to be a fully accessible company which actively contributes to equal opportunities, both for people with disabilities and the elder generations. In order to achieve this, our global lines of action are based on an important awareness-raising initiative, which we believe is a key aspect in progressing towards our "Design for All" goal.

Our goal is for all the products and services that we offer to be accessible to every customer. In order to achieve this, we take these attributes into account in our work from the earliest stage of development: the design phase.

We are convinced that the commitment to accessible products and services represents a business opportunity that enables us to develop this market and position ourselves as a leading company with regard to disability.

"Design for All" is a concept integrated into our value chain. As a result, and by means of training, testing and development activities involving accessibility experts, we are able to consider it in everything we do.

Collaboration with leading associations in the field of disability helps us to understand the needs of this group and to transmit them internally, so that every department within our Company can incorporate accessibility criteria into their daily activities.

### ACCESSIBLE TELEFÓNICA

With the aim of giving greater visibility to our accessibility initiatives and promoting the social integration of people with different needs, we have launched a labelling system under the slogan "Accessible Telefónica", which identifies all projects that help us to become a company within everybody's reach, where our products and services, can be enjoyed by all, regardless of the capabilities of each person, and no one feels discriminated against.



Consequently, our strategy and efforts focus mainly on two fronts:

- Our customers and the societies in which we operate, because we believe that access to the digital world is essential for improving people's lives. In addition, in some cases, such as for people with disabilities, technology constitutes a key tool for their day to day lives. We are committed to accessibility, hence we want to offer innovative and accessible products and services which enable people to enjoy all the benefits

## BEST PRACTICES

### ATAM: EPSILON PROJECT

Through use of the latest technology, ATAM is building a combined system of services to promote the autonomy of the most vulnerable people. To do this it leads the EPSILON international innovation initiative. The project consists of the development of a technological infrastructure of support services for groups such as people with disabilities and those who have a high degree of dependence.

The ultimate goal is for clinicians and users, through the different solutions and tools of this platform, to be able to access predictive models, which allow great developments in processes of diagnosis, prevention and determination in clinical intervention plans.

ATAM is a private social protection system for our employees. Its work focuses on ensuring comprehensive support for families who have to cope with a disability. Its vision focuses on providing tools and strategies for coping with disability, for managing lives, and for integrating into normal daily life. Currently, ATAM provides a network of clinical and social care for more than 50,000 families throughout Spain.



offered by information and communication technologies.

- ▶ The Company itself, where we have implemented policies on labour inclusion as part of our commitment to diversity as a source of talent. We believe that people with different abilities enrich us all. For this reason, through awareness-raising initiatives aimed at our employees, such as the exhibition which we put on at the central Distrito Telefónica facilities with the Fundación ONCE Perro Guía (Guide Dogs for the Blind Foundation), we seek to bring the reality of that community to our workers. In addition, we strive to improve access to all our facilities.

During the coming year, we would like to continue to move forward with the consolidation of our global accessibility strategy by ensuring compliance with the regulatory framework and even going a step further. In order to do this, we prioritise the most sensitive and differential fronts, which will enable us to continue incorporating accessibility as a natural element, while disseminating the best practices acquired in our various operations.

In 2016, we made progress in different lines of work, among which we can highlight:

- ▶ **Accessible Websites:** We have worked to evaluate and improve the accessibility

of our websites in accordance with WCAG (Web Content Accessibility Guidelines). Consequently, in Spain, we have provided training for our developers, to ensure that accessibility criteria are incorporated into their daily work and are integrated into the creation of our web portals. In the same way, in Brazil, an audit was conducted and the content of our websites was adapted, both for people with visual impairments, and for people with hearing disabilities, through videos in sign language.

- ▶ **Accessible Handsets:** It is not only specific services that we want to offer these groups. Rather, we intend to make each of the products and services we offer to our customers more accessible, so that they will be practical for all users. Thus, we are working to sort our global catalogue of mobile devices by accessibility criteria, using icons to identify the best handsets for overcoming visual, auditory, cognitive or dexterity difficulties.

- ▶ **Accessible Facilities:** One of our main objectives is to guarantee an accessible working environment and offer equal opportunities to the representatives of all the different communities that make up our team. In order to do this, we must have facilities which anybody visiting us can move around with autonomy and without difficulty.



We incorporate *accessibility* as a natural element of *our processes*



► **Accessible Shops:** In line with the improvements which we seek to implement in all our departments, we have launched various accessibility projects in Premium shops. In Chile, we are working on improving the experience. In order to achieve this we sought to identify, through a focus group, which were the attributes that our customers were looking for. The result has been the creation of preferential service areas in some shops, as well as the installation of a video-interpreting service. In Mexico, 100% of our own brand shops have been adapted to make them accessible, and in Spain, we have trained our sales personnel in serving people with different abilities.

► **Innovative Projects:** We are seeking out initiatives that will enable us to continue to make progress in the field of accessibility thanks to new technology. We have both internal initiatives, such as Vivo Libras (Brazil), which is a commercial video-interpreting service for companies and individuals; and external initiatives, such as helping startups, for instance Showleaps, via Open Future. We also work in partnership with other institutions such as the Universidad Carlos III in Madrid, with which we worked on the launch of GoAll, an application that enables deaf-blind people to enjoy TV subtitles on their Braille tablets.

## TELEFÓNICA'S ACCESSIBLE MOBILE DEVICES

 **PARTIAL Vision**  
69% of the catalogue

 **ZERO Vision**  
67% of the catalogue

 **PARTIAL hearing**  
33% of the catalogue

 **ZERO hearing**  
92% of the catalogue

 **MODERATE difficulty with handling**  
76% of the catalogue

 **SEVERE difficulty with handling**  
40% of the catalogue

 **Difficulty UNDERSTANDING**  
34% of the catalogue

Percentages of the total number of devices analysed by Fundación ONCE.

## BEST PRACTICES


### MOVISTAR + 5S

In Spain in 2016, we launched **Movistar + 5S**, a new free service that enables people with sensory disabilities to access the series and films on our Movistar + television platform through the three accessibility systems: audio description, subtitles and sign language.


This initiative, created in collaboration with WhatsCine, Universidad Carlos III and the main disability associations and agencies in Spain, was recognised by the ONCE 2016 Solidarity Awards.



## MILESTONES IN 2016

Improve the accessibility of our in-person and virtual customer care channels.  **IN progress**

Expand the scope of Movistar's accessible services.  **100% Achieved**

Further the implementation of "Design for All" throughout all Company departments.  **IN progress**

## CHALLENGES FOR 2017

Improve the accessibility of the platform Movistar +.

Implementation of Premium Access Shops in Spain.

Create a global catalog of terminals that includes the accessibility features for all our operations.

## SUSTAINABLE INNOVATION

We believe that some of the major challenges the world faces today can be seen as an opportunity which enables us, through innovation, to have a positive impact on society and the environment, in addition to ensuring the sustainable development of our business.

For this reason, in 2016, we promoted the concept of "Sustainable Innovation" as innovation which seeks to address a social or environmental challenge, while at the same time producing a financial return for our business. Our goal is for this innovation to be fully integrated into the processes and life cycle of the solutions we offer, as an intrinsic part of our innovation model (see the chapter on 'Innovation').

We understand that the new digital technologies are a fundamental tool for social and economic transformation; therefore, we are convinced that through sustainable innovation we can create a future where societies and the protection of the environment are one of the priorities of our business. To that end, we have given impetus to two major areas of work.

### The impetus of Sustainable Innovation

In addition to promoting the incorporation of sustainability principles in each of the new solutions that are developed by our innovation departments, in order to promote Sustainable

Innovation, last year we developed investment programmes aimed at funding new initiatives and ideas that, in addition to generating a positive impact on society or the environment, represent a clear business opportunity for us.

Different projects have been carried out, both locally and globally, in order to come up with ideas for this type of initiative. The most appropriate ideas are then selected and provided with funding. Among these, the following stand out:

- ▶ Inclusion of sustainable goals in Telefónica's In\_Prendedores (Intrapreneurship) programmes in Spain and in the "Calls" for innovation of the Group's product innovation teams. The ideas selected through these programmes (in which numerous employee proposals have been assessed, dealing with topics such as the use of Big Data, solutions for responses in emergency situations or collaborative economy development platforms) have had internal resources allocated to them so as to enable employees to develop their ideas and try to turn them into new commercial products (for further information, see the chapter on 'Innovation').
- ▶ Investment in Internet of Things solutions for Mining in the R&D centres in Chile.

## BEST PRACTICES

### MEASURING SOCIAL / ENVIRONMENTAL IMPACT

Last year, a series of studies was carried out with the aim of measuring the social, environmental and economic impact of some of the commercial solutions that we currently offer.

To that end, we have developed tools that facilitate these calculations and which can also be used by the business units, which have been formed for this purpose, so as to determine, both quantitatively and qualitatively, the positive impact that a service can have.



- ▶ Promotion of and investment in 'Big Data for Social Good' projects aimed at using Big Data capabilities to address social and environmental issues.
- ▶ Investment Initiative in Sustainable Innovation 2016. For the first time in history this initiative was launched simultaneously throughout the whole Group, with the aim of detecting projects for business areas related to connected societies, environment and sustainable societies, which require an initial capital boost to start development.

These projects must demonstrate a clear social/environmental impact in addition to a sustainable business model. In this initiative, proposals were received from most of our operations. Three projects were selected which are currently in the development phase:

- ▶ Project Yanapaqi, aimed at bringing mobile connectivity to rural areas of Peru.
- ▶ Project Phoenix, the aim of which is to develop portable technologies enabling

antennas and coverage to be deployed in a very short timeframe in areas that have experienced a natural disaster.

- Project for the protection of areas classified as World Heritage sites in Chile, in order to monitor and control the state of these areas of high natural and historical value.

### Assess and promote "sustainable" business solutions

In this regard, and within our portfolio of business solutions, a group of products and services have been selected that have a clear positive impact either in society or on the environment in some of the following areas (and measurements and studies have been carried out to assess that impact so as to quantify its value).

Our aim is to *innovate* in order to address *social and environmental* challenges, and in so doing, generate *financial return*

### Connected Societies

We are leading projects that seek to bring connectivity to all areas in an efficient and sustainable way, and we are seeking out new technologies or business models that are capable of providing communications services in remote areas which are difficult to access and operate in.

### Protecting the planet

One of the main benefits that technology can offer is help in the fight against climate change and the protection of ecosystems and biodiversity. To this end, we have a wide range of solutions that improve energy efficiency, enable the monitoring and control of natural environments and reinforce internal Circular Economy processes (for further information, see the chapter on 'EcoSmart services').

### Sustainable societies

Health solutions, Smart Cities, the collaborative economy, open governance, smart mobility and the use of Big Data are just some of the projects that we promote and foster in order to achieve a more human and sustainable development of the societies in which we operate and where we offer our services, so as to improve people's quality of life and meet every one of their needs.



#### Connected societies

so that people can have **access to communication and the digital world**

- Connectivity
- Universal design
- Affordability of services



#### Protecting the planet

and rising to **environmental and climate change challenges**

- Climate action
- Biodiversity and natural resources



#### Sustainable societies

so as to **improve people's quality of life, and meet every one of their needs**

- Sustainable cities
- Emergencies
- New economy
- Institutions and governments

### MILESTONES IN 2016

To further enhance the values of sustainable innovation, throughout the life cycle of the processes and solutions we offer.



We include metrics for measuring our social and environmental impact in key services.



### CHALLENGES FOR 2017

Increase investment in new projects and acceleration of innovation initiatives with social or environmental impact.

Promote innovation in connecting the unconnected and bring Internet to rural areas.

## Social and cultural action\_

We are fully aware of the impact that new technology has on social transformation. That is why we use the latest developments at our disposal as a vehicle for promoting knowledge, culture and solidarity.

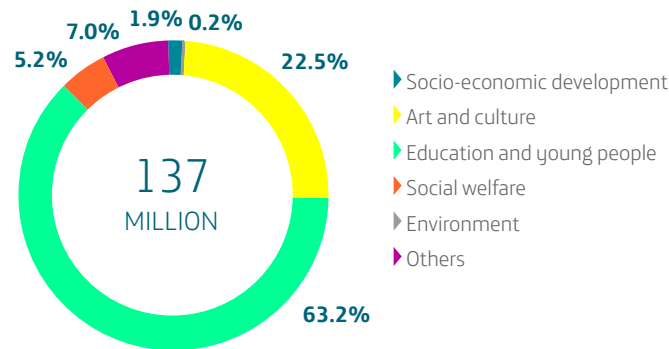
Every year we endeavour to go a step further in our commitment to the societies of the countries in which we are present, forming an active part of the social and cultural life of those who live in them. In 2016, we allocated 137 million euros to social and cultural initiatives, in accordance with LBG (London Benchmarking Group) methodology. This amount represents 0.26% of the Group's revenue, which is an increase on last year's amount, and a greater proportion of it is dedicated to activities related to education and young people.

### FURTHER INFORMATION



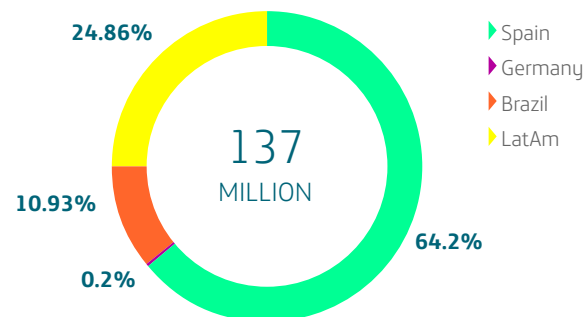
### CONTRIBUTION TO SOCIAL AND CULTURAL INITIATIVES

2016



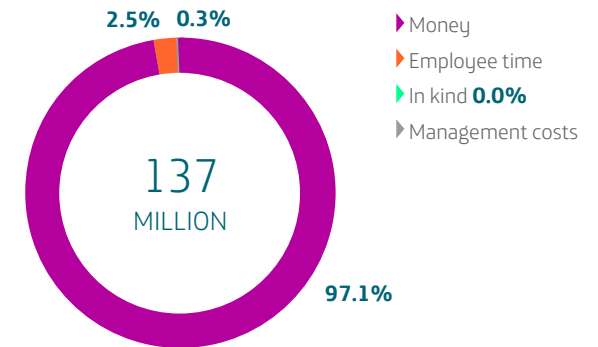
### CONTRIBUTION BY GEOGRAPHICAL AREA

2016



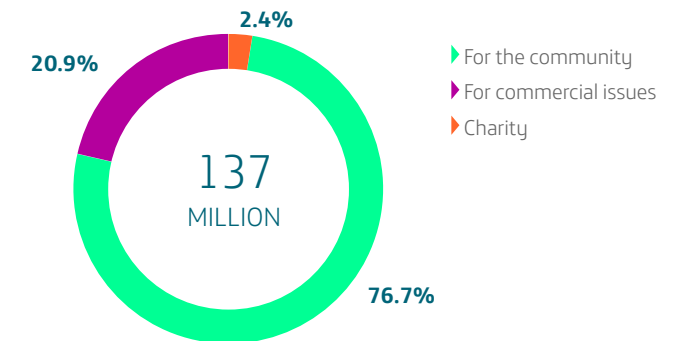
### FORM OF CONTRIBUTION

2016



### CONTRIBUTION BY TYPE OF ACTIVITY

2016



## EDUCATION

We are committed to education as the main driver of digital transformation. We see the challenge of bridging the digital divide as a personal goal, which will lay the foundations for economic growth in all countries, without leaving anyone behind. For this reason, in 2016, we invested 86 million euros in various projects and initiatives related to education.

At **Telefónica Digital Education**, we develop products and services that promote the use of new technologies at all levels of education, through online learning solutions that facilitate access to the labour market.

Specifically, in 2016, the **Miríada X**, online learning platform, which collaborates with more than 75 universities and 1,780 teachers, managed a sustained monthly growth of

7.5% and recorded enrolment levels of over two million students. In addition, **ScolarTIC**, the social learning space for teachers, educators and parents registered more than 290,000 users as of March 2017.

We also encourage education through cultural activities. In 2016, we invested more than 30 million euros in art and culture. In addition, we continue to use the Fundación Telefónica Spaces to hold workshops, talks and exhibitions.

At Fundación Telefónica, we carry out activities with the aim of improving the skills, competencies and abilities of young people and increasing their opportunities for access to the labour market. In particular, in 2016, 132 job launchers were set up (and will remain open during 2017), involving 3,326 unemployed people.

Also worthy of note is the Think Big training programme, which drives social entrepreneurship and supports companies that are seeking to achieve a better society. In 2016, 1,430 projects were supported, which have benefited 362,250 people.

With the aim of reducing inequality in the world, in 2016, the **ProFuturo** Foundation was created, in collaboration with the "La Caixa" banking Foundation, whose mission is to reduce the educational divide in the world by providing a digital education in vulnerable regions of sub-Saharan Africa, Latin America and South-east Asia. In this new educational initiative we incorporate technology, educational content and teaching methodologies for teachers and students with the aim of transforming the education of 10 million boys and girls by 2020. In addition, the project aims to welcome and encourage the participation of other companies and institutions and aims to create a large international network of centres for promoting better education worldwide.

## BEST PRACTICES

### SIELE

At Telefonica Digital Education, we have developed and marketed the International Spanish Language Assessment Service (Spanish initials: SIELE). This is a certificate which accredits candidates' levels of Spanish through a single online exam. The assessment incorporates all variants of the language, recognised by all Spanish-speaking countries.

Promoted by the Cervantes Institute, the University of Salamanca and the National Autonomous University of Mexico (Spanish initials: UNAM), it became operational in January 2016. The aim is for it to become the

benchmark electronic examination, which can be taken quickly and easily. In this way, it satisfies the growing need for assessment and certification of Spanish, and it is aimed both at students from all over the world and native speakers.



## VOLUNTEERING

None of these initiatives would get very far if we did not involve our employees. For this reason, we empower our workers to get involved in social activities. Telefónica Volunteers constitute the seeds of the Group's social commitment. For instance, in 2016, they contributed through 4,076 initiatives, which go beyond mere philanthropy, with the aim of improving society.

In 2016, a total of 27,134 employees participated in volunteer activities and gave up 252,600 hours of their time, experience and enthusiasm to help those who need it most, managing to benefit 262,802 people from various vulnerable groups, among which are some 32,813 people with disabilities.

### FURTHER INFORMATION



### FURTHER INFORMATION



In addition, this year we have given ourselves the challenge of setting the benchmark with our digital volunteer programme, in which we promote activities that include digital tools as part of their purpose or process, which contribute to the achievement of social objectives.



## BEST PRACTICES

### EARTHQUAKE IN ECUADOR

After the earthquake that devastated Ecuador on 16 April 2016, more than 250 volunteers carried out aid work for those affected. Similarly, the SMS solidarity campaign that we organised along with six NGOs in Spain – Action Against Hunger, UNHCR, the Red Cross, Oxfam Intermón, Plan International and the Spanish UNICEF Committee – raised more than 69,000 euros (each SMS lets you donate 1.20 euros in full), and as a result, we have been able to help 60,000 victims.

In addition, more than 80 volunteers from 14 countries participated in the International Solidarity Holiday project, which contributed

to the reconstruction of schools, community centres and children's groups in the affected areas, thus directly helping more than 4,590 people.

### FURTHER INFORMATION



More than 27,000 employees participated in *volunteer activities* during the past year

## CHALLENGES FOR 2017

- To promote greater inclusion, and bridge the educational and digital divide.
- To set the benchmark with our digital volunteer programme.