

# Strategy and governance *of sustainability*

Our vision is for technology to be within everybody's reach, so that we can do more, live better and be more.

We want to help make this vision a reality by responding to what our customers, our investors and society in general, ask of us.

Our clients want simpler, good quality products that make life easier, and above all else they value our transparency and integrity in our dealings with them. Furthermore, they value the innovation and security that we offer in the services that we provide and the way that we collect and handle their personal information.

Our investors demand that we follow a sustainable strategy that guarantees our long-term profitability.

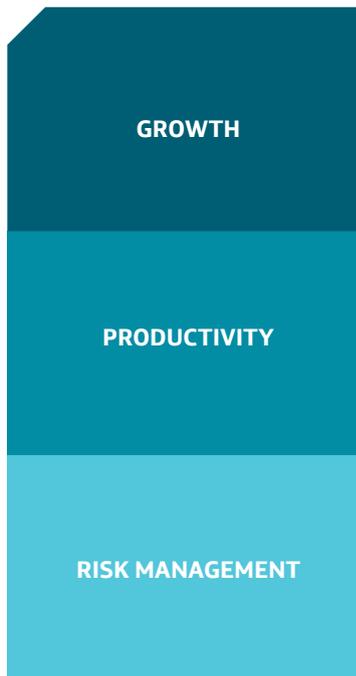
And finally, the societies in which we operate ask that we not only act as a responsible company, but also that we contribute to the social and economic development of the communities that we are part of.

In order to respond to these expectations, the economic, social and environmental sustainability aims should go hand-in-hand with the business aims of the Company itself, being incorporated into the processes and goals of the various areas of business so that they, ultimately, end up forming part of the Company's DNA.

To achieve this, our operational approach is based on the identification of three levels of commitment which cover the entirety of the Company's value chain: (1) compliance and risk management, (2) sustainable productivity and (3) sustainability as a lever for growth:

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1. On the first level, we guarantee compliance with our international, national and local regulatory framework, coordinating it on a corporate level in order for us to anticipate the legislative trends or changes in an environment where economic, social and environmental matters are increasingly subject to regulation.
2. On the second, we are working to improve our productivity by transversally incorporating sustainability criteria into all our processes, be they operations, human resources, acquisitions, commerce or innovation. We start by focusing on our response to clients' expectations, prioritising work to improve the quality of our products and services, the value propositions that we offer and our customer service processes. However, our continuous improvement goes beyond this, with the aim of producing efficiencies and increasing the value of our products and services through a long-term commitment to key aspects of our business activity, such as talent management, energy efficiency, environmental management of our processes and facilities, sustainable management of our supply chain, the strict assumption of our fiscal responsibility and, in general, a culture of ethics and integrity that should permeate all of our procedures, both internal and external.
3. Finally, the third level is where sustainability is made more visible to our clients because this is where our vision takes shape through the establishment of social or environmental benefits linked to the products and services that we make available to our business and individual clients. We do not just want to keep fulfilling a series of minimum criteria in terms of the social and environmental commitments that are being more and more widely demanded by our clients, be they public administrations, multinationals, large companies, or, to a lesser extent, but increasingly, small and medium companies and individuals. We are working towards making the digital environment more open and secure, and we are contributing to the goal of situating technological opportunities within everybody's reach, advancing geographic, social and personal accessibility to technology.



**HOW SUSTAINABILITY IS GOVERNED IN TELEFÓNICA**

The highest body responsible for sustainability in the organisation is the Board of Directors, through its Institutional Affairs Committee, whose mission it is to adopt and monitor the Corporate Sustainability Plan. In 2014, the Committee met six times to examine topics related to the sustainability of the Company.

At an executive level, the General Board of Sustainability and Corporate Ethics is responsible for promoting and coordinating the strategy in terms of sustainability. This board reports directly to the General Board of Public Affairs and Regulation.

Finally, there is a body that covers the entire Company, the Office of Business Principles and Sustainable Trade, which is responsible for the implementation of the plan in all the Company's activities. Through their top representatives, the following areas are part of this Department: Human Resources, Internal Auditing, Secretary General, Chief

Commercial Development Officer, and the General Board of Sustainability and Corporate Ethics on a permanent basis, as well as the departments of Sales, Operations, Communication etc. on a sporadic basis, when the matter in question directly relates to their role.

This Office of Principles is replicated at a country level, across almost all Telefónica operators.

**Institutional Affairs Committee**

Name	Position	Type
Mr Julio Linares López	Chairman	Other external
Mr José Fernando de Almansa Moreno-Barreda	Member	Other external
Mr Alfonso Ferrari Herrero	Member	Independent
Mr Gonzalo Hinojosa Fernández de Angulo	Member	Independent
Mr Antonio Massanell Lavilla	Member	Proprietary
Mr Francisco Javier de Paz Mancho	Member	Independent

 **Acknowledgements**

Our efforts in turning sustainability into an inherent element of the Company strategy is yielding rewards, with recognition from prestigious national and international indices and organisations, including the DJSI, Sustainalytics, FTSE, CDP and MSCI. Among the awards received are TOP Sustainability in Brazil, CEMEFL in Mexico and the Andesco Commitment to Society Award in Colombia.

However, we are very conscious that this is a process of continuous improvement, where there is always room for betterment and in which coordination and support at a corporate level are key so that we can be more sustainable in all the markets in which we operate.