

A *Telefonica* company

TELEFONICA EUROPE PLC

ETHICAL PROCUREMENT POLICY

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TELEFONICA EUROPE plc ETHICAL PROCUREMENT POLICY

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1. INTRODUCTION

This policy is owned by the Chief Procurement Officer on behalf of Telefonica Europe plc.

At Telefonica Europe plc we recognise our responsibilities as an international business and we aim to set, encourage and sustain high standards of corporate responsibility in everything we do across our operations. This includes promoting and ensuring good labour standards in our supply chains. We believe that this not only makes business sense, it also has the potential to improve the living and working standards of people around the world and contributes to sustainable development.

The Telefonica Europe plc Business Principles outline our commitment to ethical sourcing and our expectation of suppliers to Telefonica Europe plc.

This policy sets out the standards which we would like our suppliers to achieve, and which we would like them to promote within their own supply chains. These are based on the internationally recognised standards set out in the UN Universal Declaration of Human Rights and the International Labour Organisation Conventions.

2. IMPLEMENTATION

We will use the following best practice principles to guide the implementation of our policy:

Principle 1: Working Together

We will:

- work collaboratively with suppliers in pursuit of these Standards;
- guide relationships by the principle of continuous improvement;
- welcome rather than penalise suppliers identifying activities that fall below these Standards (undertaken by themselves or sub-contractors) and who agree to pursue their aspirations;
- consider a similar ethical trading standard as a reasonable alternative where suppliers are already working towards this alternative.

Principle 2: Making a Difference

We will, and we expect our suppliers to:

- use a risk based approach to the implementation of these Standards;
- focus attention on those parts of the supply chain where the risk of not meeting these Standards is highest and where the maximum difference can be made with resources available.

Telefonica Europe plc's suppliers should:

- be prepared to share with Telefonica Europe plc the basis of their approach with regard to the above.

Principle 3: Awareness Raising and Training

We will, and will expect our suppliers to:

- ensure that all relevant people are provided with appropriate training and guidelines to implement these Standards.

Principle 4: Monitoring and Independent Verification

We will:

- recognise that implementation of these Standards may be assessed through monitoring and independent verification, and that these methods will be developed as our understanding grows.

We will expect our suppliers to:

- provide Telefonica Europe plc or its representatives with reasonable access to all relevant information, premises, and workers (through interviews) and co-operate in any assessment against these Standards – using reasonable endeavours to ensure that sub-contractors do the same.
- use reasonable endeavours to provide workers covered by these Standards with a confidential means to report to the supplier failure to observe these Standards.

Principle 5: Continuous Improvement

We will, and we expect our suppliers to:

- apply a continuous improvement approach in agreeing schedules for improvement plans with suppliers not meeting these Standards;
- base improvement plans on individual case circumstances;
- not use this guideline to prevent suppliers from exceeding these Standards.

Ultimately, Telefonica Europe plc reserves the right to terminate business with a supplier where serious breaches of these Standards are identified and where the supplier consistently fails to take corrective action within an agreed timescale.

3. THE STANDARDS

The Law is Applied

- Companies comply with all national and other applicable law and regulations regarding these Standards. Where the national law and these Standards are in conflict, the highest standards consistent with national law should be applied.
- Where the provisions of law and these Standards are not in conflict but address the same subject, the provision which affords the greatest protection to the employee should be applied.

Employment is Freely Chosen

- There is no forced, bonded or involuntary prison labour
- Workers are not required to lodge 'deposits' or their identity papers with their employer and are free to leave their employer after reasonable notice.

Freedom of Association and the Right to Collective Bargaining are Respected

- Workers, without distinction, have the right to join or form trade unions of their own choosing and, where a significant proportion of the workforce agree, to bargain collectively.
- The employer adopts an open attitude towards the activities of trade unions and their organisational activities.
- Workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace.
- Where the right to freedom of association and collective bargaining is restricted under law, the employer should consider facilitating, and not hindering, the development of legal parallel means for independent and free association and bargaining.

Working Conditions are Safe and Healthy

- A safe and healthy working environment shall be provided, bearing in mind international standards, the prevailing specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working practice and environment.
- Workers shall receive suitable and sufficient health and safety training, in order that they fully understand the hazards associated with the work activity & environment and the correct practices required to minimise the risks.
- Access to clean toilet facilities, drinkable water and, if appropriate, sanitary facilities for food storage shall be provided as required.
- Accommodation, where provided, shall be clean, safe and meet the basic needs of the workers.
- The company observing the code shall assign responsibility for health and safety to a senior management representative.

Child Labour is Eliminated

- The long-term elimination of child labour should take place in a manner consistent with the best interests of the children concerned.
- Companies should develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child.
- Children and young persons under 18 shall not be employed at night or in hazardous conditions.

- In any event, the course of action taken shall be in the best interests of the child, conform to the provisions of ILO Convention 138 and be consistent with the United Nations Convention on the Rights of the Child.

Living Wages are Paid

- Wages paid for a standard working week meet or exceed national (or, where applicable, local) legal standards
- In any event, wages should not be paid in kind and should be enough to meet basic needs.
- All workers should be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and the particulars of their wages for the pay period concerned each time that they are paid.
- Deductions from wages as a disciplinary measure should not be permitted. Deductions from wages not provided for by national law should only be permitted with the expressed permission (without duress) of the worker concerned. All disciplinary measures should be recorded.

Working Hours are not Excessive

- Standard working hours comply with national laws and national benchmark industry standards, whichever affords the greater protection to the employee.
- Workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7-day period on average. Overtime requested by the employer shall be voluntary, shall not be requested on a regular basis and shall always be compensated at a premium rate.
- As provided for by ILO Convention 1, these provisions are intended to cover non-supervisory and non-management functions.

No Discrimination is Practiced

- A policy of equality for all should be in place and there should be no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

Regular Employment is Provided

- To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.
- Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship should not be avoided.
- Examples include the abuse of labour-only contracting, sub-contracting, or home-

working arrangements, through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, or the excessive use of fixed-term contracts of employment.

No Harsh or Inhumane Treatment is Allowed

- Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

APPENDIX 1

1. References

These Standards are based on the following international standards:

- The United Nations Universal Declaration of Human Rights (www.un.org/Overview/rights.html)
- The United Nations Convention on the Rights of the Child (www.unicef.org/crc)
- The Conventions of the International Labour Organisation (www.ilo.org)
The ILO is a tri-partite body with responsibility for setting international labour standards. Its conventions are binding on states that have ratified them. This policy draws upon the following ILO conventions:
 - Conventions 29 & 105 and Recommendation 35: Forced and Bonded Labour
 - Convention 87: Freedom of Association
 - Convention 98: the Right to Organise and Collective Bargaining
 - Convention 100 & 111 and Recommendations 90 and 111: Equal Remuneration for male and female workers for work of equal value; Discrimination in employment
 - Convention 135 & Recommendation 143
 - Convention 138 and Recommendation 146: Minimum Age
 - Convention 155 & Recommendation 164: Occupational Safety and Health
 - Convention 159 & Recommendation 168: Vocation Rehabilitation
 - Convention 177 & Recommendation 184: Home Work

2. Definitions

The following definitions apply to the Child Labour section:

Child: any person less than 15 years of age unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age shall apply. If however, the local minimum age law is set at 14 years of age in accordance with developing country exceptions under ILO Convention 138, the lower shall apply.

Young Person: Any worker over the age of a child, as defined above and under the age of 18.

Child Labour: any work by a child or young person younger than the age(s) specified in the above definitions, which does not comply with the provisions of the relevant ILO standards and any work that is likely to be hazardous or to

interfere with the child's or young person's education, or to be harmful to the child's or young person's health or physical, mental, spiritual, moral or social development.