



# Codes of conduct and international framework agreements: New forms of governance at company level

## Case study: Telefónica

**Information about the company**

**Industrial relations context**

**UNI–Telefónica Code of Conduct**

**Outcomes and impact**

**Annex 1: UNI–Telefónica Code of Conduct**

**Annex 2 – Revised UNI–Telefónica Code of Conduct**

*This case study provides an overview of the international framework agreement reached between the global telecommunications group Telefónica and Union Network International (UNI). Referred to as the UNI–Telefónica Code of Conduct, the agreement was first reached in March 2001 and further revised in December 2007. The report also profiles Telefónica as a company and presents the industrial relations context. The case study is based on an interview which was conducted in March 2008 with a UNI representative who was involved in the UNI–Telefónica Code of Conduct.*

## Information about the company

Telefónica was established in 1924 as a public limited company under the name the National Telephone Company of Spain (*Compañía Telefónica Nacional de España*, CTNE). In 1945, the Spanish government decided that CTNE's shares, which belonged at that time to the International Telephone and Telegraph Corporation, would become state-owned by controlling 79.6% of the company's ordinary shares. In the late 1980s, Telefónica's shares began trading on the New York Stock Exchange. In 1995, the government decided to divest itself of the company's capital, while still maintaining a small proportion of the shares.

Today, Telefónica is a world leader in the telecommunications sector, maintaining a presence in Europe and Latin America. In September 2007, Telefónica had over 218 million customers globally. At the end of 2007, Telefónica was ranked fourth in the telecommunications sector for stock market capitalisation by the Dow Jones Index and second in the Dow Jones Euro Stoxx 50 Index, Europe's leading blue-chip index for the eurozone.

Internationally, the company's profile is as follows:

- in Spain, the group has more than 80 years' experience since it was first established in 1924, providing services to over 45 million customers in June 2007;
- in Latin America, where the company began its international expansion in the 1990s, Telefónica provides services to over 126 million customers, making it the leader in its field in Argentina, Brazil, Chile and Peru; the company also maintains large-scale operations in Colombia, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Puerto Rico, Uruguay and Venezuela;
- in Europe, following the acquisition of the assets of the mobile phone group O2 and Český Telecom in 2005, the company also has a presence in the Czech Republic, Germany, Ireland, Slovakia and the United Kingdom (UK), handling more than 40 million accesses.

In 2006, Telefónica adopted a regional and integrated management model. The different operations of the Telefónica Group are organised according to the three geographical regions of Europe, Latin America and Spain across 23 countries. The Telefónica Group's companies enjoy their own rates of growth and degrees of competition, depending on the particular markets in which they operate:

- Telefónica España – the core activity of this company is exploiting fixed, mobile and broadband telephony in Europe;
- Telefónica Latinoamérica – this company's main activity is maximising fixed, mobile and broadband services in the United States (US) and Latin America, maintaining a presence in all of the key Latin American markets – Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru, Puerto Rico, Uruguay and Venezuela. It also runs a Telefónica office in China and an alliance with China Netcom;

- Telefónica O2 Europa – the core activity of this company is exploiting fixed, mobile and broadband telephony in Europe, with operations in the Czech Republic, Germany, Ireland, Slovakia and the UK;
- the Corporate Centre – located in Madrid, this centre is in charge of Telefónica’s global strategy and corporate policies, the management of common activities and coordination of business units’ activities.

Other companies within the Telefónica Group are:

- Atento – provides customer services through contact centres or multichannel platforms, with call centres in Argentina, Brazil, Chile, Colombia, El Salvador, Guatemala, Mexico, Morocco, Peru, Puerto Rico, Spain and Venezuela;
- TGestiona – offers support services to management in economic/financial issues, administration, management and human resources (HR), logistics, and the integral management of buildings and services, with activities in Argentina, Brazil, Chile and Peru, as well as Spain;
- Telefónica I+D – engages in research and development (R&D) activities in Brazil, Mexico and Spain.

Table 1: *Profile of Telefónica*

Features	Details
<b>Main milestones</b>	1924 – Establishment of the company 1965 – State acquires majority of company’s shares 1995 – Beginning of company’s privatisation
<b>Industry sector</b>	Telecommunications
<b>Ownership structure, corporate governance</b>	Public limited company with a board of directors
<b>Employment in home country (2006)</b>	57,000 employees (Spain)
<b>Employment worldwide (2006)</b>	235,000 employees

Source: *Authors’ own overview, 2008*

## **Industrial relations context**

At the end of 2006, the Telefónica Group had about 235,000 employees worldwide, around 57,000 of whom were located in Spain. By region, Latin American represents 60.87% of the total workforce, Spain 24.29% of the workforce and Europe 14.4% of the total workforce.

The biggest individual company within the Telefónica Group is the customer services centre Atento, which employs the largest number of people at over 106,000 workers.

Compared with 2005, Telefónica’s global workforce increased by more than 13% in 2006. Europe emerged as the region with the highest year-on-year growth, with its payroll doubling in one year through the acquisition of the O2 Group.

The Telefónica workforce is characterised by the following features:

- the distribution of functions among Telefónica’s workforce, excluding Atento personnel, is as follows: 36.8% are employed in sales, 49% in production and 14.2% in support services. The company aims to gradually increase the number of personnel working in sales to its target of 50% by 2010;

- women make up 49.5% of the Telefónica Group's workforce, with Atento accounting for 67.2% of the female workforce. The increased size of the female workforce is mainly attributed to the acquisition of the O2 Group;
- the average length of service among Telefónica's workforce is 5.6 years and the average age is 33.2 years. Atento has the youngest workforce, with an average age of 25 years, and the shortest length of service at 1.3 years on average;
- in relation to the group's seasonal workforce, 84.6% of the employees have a long-term or open-ended employment contract (compared with 85% in 2005). The remainder of this workforce consists of employees with a short-term contract (14.6%) and interns (0.7%). Atento has the highest percentage of short-term contracts in the Telefónica Group at 32% of its equivalent staff.

Table 2: Telefónica workforce by region, 2005 and 2006

Region	No. of workers in 2005	No. of workers in 2006	% change
Spain	60,405	57,058	- 5.54%
Europe	14,326	33,818	+ 136.06%
Latin America	131,968	142,983	+ 8.35%
Rest of world	942	1,041	+ 10.51%
<b>Total Telefónica Group</b>	<b>207,641</b>	<b>234,900</b>	<b>+ 13.13%</b>

Source: Telefónica Annual Report, 2006

Respecting the employee's right to join and take part in trade unions is defined as a business principle of the Telefónica Group. In this context, the company is actively involved in supporting social dialogue, although reports have emerged of local conflicts in Latin America regarding employees' freedom to associate rights and collective bargaining. However, the Telefónica **Corporate Responsibility Report 2006 (summary)**<sup>1</sup> states the following:

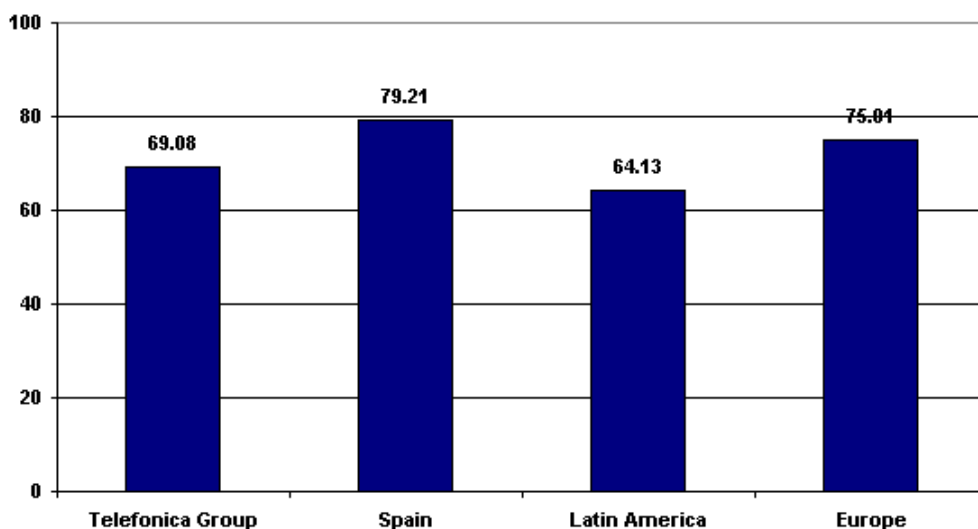
*Social dialogue and collective bargaining are the main channels we use to manage labour relations and to communicate changes arising in our companies. Telefónica promotes social dialogue at both an international level, through the global framework agreement signed with Union Network International (UNI), and at the national level. For example, in Spain the agreement signed between the company and the most representative trade unions has turned out to be very effective.*

(Telefónica Corporate Responsibility Report, 2006, p. 19)

An important indicator of Telefónica's cooperative approach in working with trade unions is the coverage of the workforce by collective agreements on pay, working time and other issues relating to working conditions, as the following Figure illustrates.

<sup>1</sup> [http://www.telefonica.es/rc2006/telefonica/informe\\_rc/corporativo/portada9ed2.html?lang=en](http://www.telefonica.es/rc2006/telefonica/informe_rc/corporativo/portada9ed2.html?lang=en)

Figure 1: Proportion of Telefónica employees covered by collective agreements, 2006



Source: Corporate Responsibility Annual Report, 2006

## UNI–Telefónica Code of Conduct

As mentioned, Telefónica is actively involved in social dialogue with trade unions. This is not only evident at local and national level in Europe, Latin America and Spain; it is also reflected in the development of quite intensive cooperation and dialogue at international level through global framework agreements with different trade union associations.

As the company’s management states in its most recent Corporate Responsibility Report:

*These agreements can offer important ways to resolve problems, generating mutual benefits for both the company and the employees, and can ultimately create jobs and other consequences that are positive for the community. Although the collective bargaining agreements in Telefónica do not include a minimum notice period regarding significant operational changes, Telefónica dialogues with trade unions about the different options and objectives these corporate actions are aimed at fulfilling.*

(Corporate Responsibility Annual Report, 2006, p. 50)

Already in 2001, the company had signed the first global agreement on basic employee rights with Union Network International (UNI<sup>2</sup>), which was in fact the first such agreement that UNI had signed.

### About the agreement

Telefónica’s international framework agreement takes the form of a ‘code of conduct’ on trade union and workers’ rights. The agreement was signed on 12 March 2001 by the group’s management and UNI, together with the two Spanish trade union organisations – the Trade Union Confederation of Workers’ Commissions (*Confederación Sindical de Comisiones Obreras*, CC.OO<sup>3</sup>) and the General Workers’ Confederation (*Unión General de Trabajadores*, UGT<sup>4</sup>). The agreement was referred to as a code of conduct due to the fact that, at the time of the initiative, little was known about international framework agreements and the term was not commonly used.

<sup>2</sup> <http://www.union-network.org/>

<sup>3</sup> <http://www.ccoo.es/cscceo/>

<sup>4</sup> <http://www.ugt.es/>

The agreement is the result of social dialogue at international level between the company and UNI. A social protocol on international agreements, signed by the same parties in April 2000, prepared the ground for the international framework agreement. The agreement was further revised in December 2007.

### Content of agreement

UNI Global Union and Telefónica's management engaged in about five years of networking and discussion to put in place the necessary foundations and structure to begin negotiations on an international framework agreement. A trade union alliance was established to gather local union members and discuss the relevance of an international framework agreement for tackling the difficulties encountered at local level regarding workers' rights and trade union recognition. The negotiation process between UNI and the company's management lasted about one year and took place in Spain.

The resulting UNI–Telefónica Code of Conduct seeks 'to maintain trade union and workers' rights in all Telefónica activities worldwide', as stated in the preamble of the agreement. Hereby, the agreement refers to the fundamental human rights in the community, as defined by the International Labour Organization (ILO) Conventions 29 and 105 referring to the right to choose employment freely, Conventions 100 and 111 on non-discrimination in employment, as well as Conventions 138 and 182 on the abolition of child labour.

The agreement also refers to fundamental rights in the workplace, mentioning all relevant ILO conventions in this context.

Based on the company's already favourable industrial relations and social dialogue, the agreement is seen as a way of enhancing HR best practice, particularly with respect to:

- non-discrimination in employment – all workers are entitled to equal opportunities and treatment regardless of their ethnic origin, colour, gender, religion or political opinion; workers shall also receive equal pay for work of equal value;
- freedom of association and trade union rights – recognition of the right to organise and trade unions' right to represent and negotiate on behalf of the workers, and to comply with minimum standards regarding wages and working conditions;
- workers' representation at the workplace – worker representatives shall not be discriminated against and shall have access to all workplaces, as necessary, to enable them to carry out their representation functions;
- minimum wages – workers shall be paid wages and benefits that are at least as favourable as those established by national legislation or agreements for work of the sector concerned. No worker shall be paid less than the legal minimum wage, which must always be sufficient to meet the basic needs of workers and their families. All workers will be provided with clear information about wage conditions;
- working day – working day provisions must, at the very minimum, meet the requirements of appropriate national legislation or national agreements and/or industry standards; overtime should be voluntary, where possible, and should not be a substitute for inadequate regular wages;
- employment stability – national legislation and agreements shall be respected, with the aim of creating stable employment as much as possible;
- training – all workers shall be given the opportunity to participate in training programmes, in particular for the improved use of new technologies.

Finally, the agreement lists health and safety issues, as well as respect for the environment, as important common concerns of both UNI and Telefónica.

### Enforcement and monitoring

The signatory parties have also made a commitment to engage in ongoing dialogue on the administration and implementation of the agreement and to organise regular meetings.

Dissemination of the agreement’s provisions is organised through the trade union website, whereby direct access to the agreement is permitted to members. Newsletters and translation are organised by the trade unions. Telefónica’s management also offers financial support for translations as well as meetings.

Local management and trade unions are responsible for enforcing the agreement at local level.

The agreement’s monitoring process differs according to local priorities. At the same time, UNI has organised a range of monitoring actions including:

- a survey on the agreement’s implementation;
- seminars to educate trade union members about the agreement and its implementation;
- an annual meeting with local trade unions to discuss implementation aspects and difficulties to be solved: arising from this, a special trade union alliance has been set up to monitor the agreement.

Once a year, UNI and management meet to discuss the evaluation of the agreement, along with problems encountered and international strategy regarding labour relations.

Table 3: *Main features of Telefónica’s international framework agreement*

Features	Details
<b>Name of agreement</b>	UNI– Telefónica Code of Conduct
<b>Original signatory date</b>	12 March 2001
<b>Signatory parties</b>	Telefónica management UNI Global Union CC.OO and UGT
<b>References</b>	Global Compact Eight ILO core conventions on fundamental social rights and eight other ILO conventions
<b>Contents</b>	<ul style="list-style-type: none"> <li>• preamble</li> <li>• the signatory parties’ common recognition of fundamental human rights in the community and workplace</li> <li>• the parties’ common recognition of the need to contribute to the improvement of conditions in the workplace and community</li> <li>• the agreement’s implementation</li> <li>• the agreement’s duration</li> </ul>
<b>Scope</b>	All of Telefónica’s activities worldwide Information for companies that would like to provide contracts and services on the need to adhere to the code’s principles
<b>Duration</b>	Five years – renewed on 17 December 2007
<b>Public CSR or Social Report</b>	Yes
<b>Dispute settlement</b>	Any difference arising from the interpretation or implementation of the agreement will be examined by a joint group composed of the signatory parties.

Source: *Authors’ own overview, 2008*

When necessary, additional meetings can be organised with the management to discuss urgent matters as they arise. Both the trade unions and management view these meetings as an early warning system in dispute settlement. The Telefónica Corporate Responsibility Annual Report 2006 described the important role of international social dialogue as follows:

*In relation to social dialogue in the international area, Telefónica and UNI (Union Network International) have agreed to meet annually so that Telefónica's management can give the trade unions general information on the most important matters of the Group that affect its progress, market position, future and priorities.*

*The meeting for 2006 was held in Santiago de Chile in January 2007, at the 11th Conference of the Latin American Inter-Union Group of Telefónica Workers. Telefónica's chairperson met with this group, along with UNI and other Telefónica representatives, and presented the strategy of the New Telefónica and the goal to make the company the best place to work. A very positive assessment was also made of labour relations during 2006.*

*The most important collective matters were resolved through dialogue and agreements. The atmosphere of transparency and cooperation was strengthened. The overall result has been the recognition of important concessions in favour of the employees*

With regard to subcontractors, the agreement states that Telefónica 'will inform the companies that would like to provide contracts and services of the need to adhere to these principles'.

### **Background, motives and interest areas**

UNI Global Union took the initiative to highlight to management at Telefónica the importance of recognising and respecting human rights at the workplace, based on the difficulties encountered in the company in the early 1990s. With the support of local trade unions, a Telefónica union alliance has been established as a taskforce which seeks to better tackle the issue internationally and strengthen networking.

On the management side, the motivation to join negotiations was mostly based on the willingness to foster Telefónica's corporate social responsibility (CSR) strategy as well as enhance employees' satisfaction in the workplace. Therefore, the UNI–Telefónica agreement should be viewed in the context of the Telefónica Group's wider CSR commitments.

Since the 1990s, Telefónica had already established an Ethics Code, which after the O2 acquisition in 2005 was renamed as its 'Business Principles' following the integration of the Ethics Code with the O2 Business Principles. Telefónica's Business Principles comprise general principles and those pertaining to the company's relationship with certain groups of actors and stakeholders.



Table 4: *Overview of Telefónica's Business Principles*

<b>Category</b>	<b>Business Principles</b>
<b>General principles</b>	<ul style="list-style-type: none"> <li>• honesty and trust</li> <li>• respect for the law</li> <li>• integrity</li> <li>• human rights</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>• products and services</li> <li>• communication and advertising</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• professional development</li> <li>• compensation</li> <li>• human rights</li> <li>• health and safety</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• corporate governance</li> <li>• value creation and transparency</li> <li>• internal control and risk management</li> <li>• company assets</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>• social development</li> <li>• the environment</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• conflicts of interest</li> <li>• equality and transparency</li> <li>• responsibility in the supply chain</li> </ul>

Source: *Telefónica, 2008*

To implement and encourage compliance with the Business Principles, Telefónica has set up a Business Principles Office. This office comprises representatives from HR, the Secretary General's office, Legal Affairs, the Internal Audit office and the office of the Chairman's Secretary, along with one representative from each of the three geographical business areas: Europe, Latin America and Spain. This office reports periodically to HR and the Corporate Reputations Committee, a committee of the Board of Directors of Telefónica.

The main functions of the Business Principles Office are to:

- promote the Business Principles throughout Telefónica through information, training materials and presentations;
- review processes and controls to ensure compliance with the principles;
- ensure the adequacy and appropriateness of the Business Principles so that Telefónica meets legal requirements and best practice at all times;
- respond to any questions, complaints or allegations that may be raised by employees, suppliers or shareholders about the principles;
- identify and encourage the development of policies to allow for appropriate application and fulfilment of the principles.

### Renegotiation of agreement

A clause concerning the duration of the UNI–Telefónica Code of Conduct agreement stipulates that it should be evaluated five years after it was first signed. This evaluation took place in 2006, after which the agreement was revised. On 17 December 2007, a revised code of conduct was signed between group’s management and UNI. Two main changes were adopted, based on the experiences observed in relation to the previous agreement:

- firstly, a trade union recognition clause was negotiated;
- secondly, the duration of the agreement was extended to an indefinite period of time, until either party requests a renegotiation, provided that they give six months’ notice and a statement outlining the reasons for terminating the agreement.

### Outcomes and impact

The agreement has had a favourable impact on industrial relations at Telefónica and fosters greater respect for human rights at the workplace in Telefónica’s worldwide locations.

On some occasions, conflict has arisen between the agreement and recognition of trade union rights as well as local legislation, as seen in the US. However, both management and the trade unions have put the agreement into practice to adopt a better approach in resolving the difficulties encountered. Thus, as a mechanism of alternative dispute resolution and an early warning system, the agreement has a high added value for both the trade unions and management.

In principle, and according to UNI Global Union, international framework agreements do not fall into the category of transnational collective bargaining, but are rather negotiated in order to foster recognition and implementation of fundamental human rights at local level. Such agreements therefore fall into the category of local collective bargaining.

### Annex 1: UNI–Telefónica Code of Conduct

UNI–Telefónica Code of Conduct as of 12 March 2001.

#### Preamble

The present agreement is being signed as a follow-up to the Protocol signed between the parties in April 2000 in which ‘the negotiation of a code of conduct’ to maintain trade union and workers rights in all Telefónica activities worldwide had been agreed.

In their capacities, the General Secretary of UNI and the President of Telefónica SA agree on the following code of conduct based on the following principles.

#### The parties’ common recognition of fundamental human rights in the community and workplace:

1. UNI and Telefónica affirm their support for fundamental human rights in the community.

That is:

- employment is freely chosen, in agreement with ILO Conventions 29 and 105.
- there is no discrimination in employment: all workers shall have equality of opportunity and treatment regardless of their ethnic origin, colour, gender, religion or political opinion. Workers shall receive equal pay for work of equal value (ILO Conventions 100 and 111);

- abolition of child labour – child labour shall not be used. Only workers above the age of 15 years, or over the compulsory school-leaving age if higher, shall be employed (ILO Convention 138);
- children under the age of 18 years shall not perform work, which by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or education of children (ILO Convention 182).

2. UNI and Telefónica affirm their support for fundamental human rights in the workplace. In that respect, the company agrees to comply with the ILO conventions on freedom of association and trade union rights, to recognise the right to organise and the right of trade unions to represent and negotiate on behalf of the workers, and to comply with minimum standards in respect of wages and working conditions.

- Freedom of association and the right to collective bargaining

All workers shall have the right to form and join trade unions (ILO Convention 87).

Where UNI affiliates represent the workers employed in companies owned by Telefónica – and its subsidiaries – the company shall recognise the right of unions to represent the said workers in:

- a) collective bargaining (ILO Convention 98) – for their part, unions will agree to negotiate in good faith, are aware of the necessity to find the best practices which guarantee the development of the companies and their viability, which eventually is the best guarantee of employment for the workers;
- b) any procedures' settlement of disputes;
- c) negotiations and consultations in all matters affecting jobs and training;
- d) where no trade union exists, the company shall adopt a neutral view and shall not prevent workers from organising. It shall also respect the right of trade unions to organise employees.

- The right to represent workers

The company guarantees that worker representatives shall not be discriminated against and shall have access to all workplaces necessary to enable them to carry out their representation functions (ILO Convention 135).

- Minimum wages

Workers shall be paid wages and benefits that are at least as favourable as those established by national legislation or agreements, for work of the sector concerned. No worker shall be paid less than the legal minimum wage, which shall always be sufficient to meet the basic needs of workers and their families (ILO Conventions 94, 95 and 131).

All workers will be provided with clear information about wage conditions.

- Working day

The working day will meet, as a minimum, the requirements of appropriate national legislation or national agreements and/or industry standards (ILO Conventions 1, 47 and Recommendation No. 116). Overtime shall be voluntary, wherever possible, and shall not be a substitute for inadequate regular wages.

**The parties' common recognition of the need to contribute to the improvement of conditions in the workplace and community:**

3. UNI and Telefónica confirm their support and respect for applicable standards for the environment, security and health and safety at the workplace. That is:

- the guarantee that workplaces are safe and do not imply risk for the security and health of workers (ILO Convention 155);
- best occupational health and safety practice shall be observed, safety equipment shall be provided when necessary, to prevent, as much as possible, accident hazards and harmful effects for health;
- the cooperation of workers and their representatives for the observance of the adopted measures to guarantee health and security; they will receive the appropriate information and training in the area of occupational health and safety;
- respect for others at work – workers should observe harmonious relations, avoiding any behaviour that implies a lack of respect or scorn towards other employees. Those who are responsible for a working team should distribute tasks fairly, both in the amount and the quality of that work.

4. UNI and Telefónica reaffirm their support for the conditions in Telefónica's community.

- Training – all workers shall be given the opportunity to participate in training programmes, especially those which aim to improve workers' skills in using new technology.
- Employment stability – national legislation and agreements shall be respected, in an effort to create, wherever reasonably possible, stable employment.
- Respect for the environment – UNI and Telefónica share concerns about the impact that the operation of Telefónica's business may have on the environment and will commit to making all efforts to ensure that all environmental concerns are met.

**Implementation**

- Telefónica SA will provide information concerning this agreement to all companies of the group.
- Both parties shall be responsible for the administration and implementation of this agreement. To that end, they will engage in ongoing dialogue and meet regularly. Any difference arising from the interpretation or implementation of this agreement will be examined jointly, for the purpose of making recommendations to the parties in conflict. A group will be appointed that comprises three members from Telefónica and three members from UNI (UGT/CC.OO-UNI) to examine and report to the President of Telefónica and the General Secretary of UNI.
- As Telefónica considers the respect for workers' rights mentioned in this agreement as an element of progress in industrial relations, the company will inform the companies that would like to provide contracts and services of the need to adhere to these principles.

**Duration**

The duration of this agreement is five years, after which this agreement will be evaluated and may be prolonged for a new period

Signed this 12th day of March 2001.

## **Annex 2 – Revised UNI–Telefónica Code of Conduct**

UNI–Telefónica Code of Conduct – revised version as of 17 December 2007.

### **Preamble**

The present agreement renews and updates the Code of Conduct originally signed on 12 March 2001 and which was a follow-up to the Protocol signed between the parties in April 2000, in which ‘the negotiation of a code of conduct’ to maintain trade union and workers rights in all Telefónica activities worldwide had been agreed.

In their capacities, the General Secretary of UNI and the President of Telefónica SA agree on the following code of conduct based on the following principles.

### **The parties’ common recognition of fundamental human rights in the community and workplace:**

1. UNI and Telefónica affirm their support for fundamental human rights in the community.

That is:

- employment is freely chosen, in agreement with ILO Conventions 29 and 105;
- there is no discrimination in employment: all workers shall have equality of opportunity and treatment regardless of their ethnic origin, colour, gender, religion or political opinion. Workers shall receive equal pay for work of equal value (ILO Conventions 100 and 111);
- abolition of child labour – child labour shall not be used. Only workers above the age of 15 years, or over the compulsory school-leaving age if higher, shall be employed (ILO Convention 138);
- children under the age of 18 years shall not perform work, which by its nature or the circumstances in which it is carried out is likely to harm the health, safety or education of children (ILO Convention 182).

2. UNI and Telefónica affirm their support for fundamental human rights in the workplace.

In that respect, the company agrees to comply with the ILO conventions on freedom of association and trade union rights, to recognise the right to organise and the right of trade unions to represent and negotiate on behalf of the workers and to comply with minimum standards in respect of wages and working conditions.

- Freedom of association and the right to collective bargaining

All workers shall have the right to form and join trade unions (ILO Convention 87).

Where UNI affiliates represent the workers employed in companies owned by Telefónica – and its subsidiaries – the company shall recognise the right of unions to represent the said workers in:

- a) collective bargaining (ILO Convention 98) – for their part, unions will agree to negotiate in good faith, are aware of the necessity to find the best practices which guarantee the development of the companies and their viability, which eventually is the best guarantee of employment for the workers;
- b) any procedures’ settlement of disputes;
- c) negotiations and consultations in all matters affecting jobs and training;
- d) where no trade union exists, the company shall adopt a neutral view and shall not prevent workers from organising. It shall also respect the right of trade unions to organise employees.

- The right to represent workers

The company guarantees that worker representatives shall not be discriminated against and shall have access to all workplaces necessary to enable them to carry out their representation functions (ILO Convention 135).

- Minimum wages

Workers shall be paid wages and benefits that are at least as favourable as those established by national legislation or agreements, for work of the sector concerned. No worker shall be paid less than the legal minimum wage, which shall always be sufficient to meet the basic needs of workers and their families (ILO Conventions 94, 95, and 131).

All workers will be provided with clear information about wage conditions.

- Working day

The working day will meet, as a minimum, the requirements of appropriate national legislation or national agreements and/or industry standards (ILO Conventions 1, 47 and Recommendation No. 116). Overtime shall be voluntary wherever possible, and shall not be a substitute for inadequate regular wages.

The parties' common recognition of the need to contribute to the improvement of conditions in the workplace and community:

3. UNI and Telefónica confirm their support and respect for applicable standards for the environment, security and health and safety at the workplace. That is:

- the guarantee that workplaces are safe and do not imply risk for the security and health of workers (ILO Convention 155);
- best occupational health and safety practice shall be observed, safety equipment shall be provided when necessary, to prevent, as much as possible, accident hazards and harmful effects for health;
- the cooperation of workers and their representatives for the observance of the adopted measures to guarantee health and security; they will receive the appropriate information and training in the area of occupational health and safety;
- respect for others at work – workers should observe harmonious relations, avoiding any behaviour that implies a lack of respect or scorn towards other employees. Those who are responsible for a working team should distribute tasks fairly, both in the amount and the quality of that work.

4. UNI and Telefónica reaffirm their support for the conditions in Telefónica's community.

- Training – all workers shall be given the opportunity to participate in training programmes, especially those that aim to improve workers' skills in using new technology.
- Employment stability – national legislation and agreements shall be respected, in an effort to create, wherever reasonably possible, stable employment.
- Respect for the environment – UNI and Telefónica share concerns about the impact that the operation of Telefónica's business may have on the environment and will commit to making all efforts to ensure that all environmental concerns are met.

### **Implementation**

- Telefónica SA will provide information concerning this agreement to all companies of the group.
- Both parties shall be responsible for the administration and implementation of this agreement. To that end, they will engage in ongoing dialogue and meet regularly. Any difference arising from the interpretation or implementation of this agreement will be examined jointly, for the purpose of making recommendations to the parties in conflict. A group will be appointed that comprises three members from Telefónica and three members from UNI (UGT/CC.OO-UNI) to examine and report to the President of Telefónica and the General Secretary of UNI.
- As Telefónica considers the respect for workers' rights mentioned in this agreement as an element of progress in industrial relations, the company will inform the companies that would like to provide contracts and services of the need to adhere to these principles.

### **Duration**

This agreement remains valid unless terminated by either party, giving six months notice. The notice should be given in writing, stating the reasons for the termination.

Signed this 17th day of December 2007.

**Andre Sobczak** (Audencia Nantes École de Management, France), **Isabelle Schömann** (ETUI-REHS, Belgium) and **Peter Wilke** (Wilke, Maack und Partner, Germany)