

REPORT ON INDEPENDENT REVIEW (VERIFICATION) OF THE 2008 CORPORATE SOCIAL RESPONSIBILITY REPORT OF TELEFÓNICA, S.A.

To the Human Resources and Corporate Reputation Committee of Telefónica, S.A.

Scope of the work

We have reviewed the information included in the 2008 Annual Corporate Responsibility Report of the Telefónica Group (hereinafter Telefónica), available at www.telefonica.es/rc2008, and its compliance with the following:

- The Global Reporting Initiative (GRI) Preparation Guide for Sustainability Reports, version 3.0 (G3), for all of Telefónica, worldwide.
 - The principles stated in the AA1000 Assurance Standards (2003 version) issued by AccountAbility (Institute of Social and Ethical Accountability) for the business activities of Telefónica in Spain, Argentina, Colombia, Chile, Peru, Brazil, Mexico, United Kingdom, Ireland, Czech Republic and Germany.
2. Review of relevant information, such as the minutes of Board Meetings of Telefónica, S.A. or the minutes of the meetings held by the Human Resources and Corporate Reputation Committee, when matters related to Corporate Responsibility have been discussed.
 3. Review of the processes and systems used by Telefónica to set up its commitments to interest groups, assisting, if applicable, at the discussion panels held or reviewing the minutes of those discussion panels. In addition, reviewing the scope, relevance and integrity of the information included in the Annual Corporate Responsibility Report.
 4. Analysis of whether the structure and contents of the Annual Corporate Responsibility Report of Telefónica conform to the GRI guide, G3.
 5. Selective testing of the quantitative information of the indicators included in the Report of Corporate Responsibility 2008 and their suitable compilation from the information provided by the sources of information.

The preparation of the Annual Corporate Responsibility Report, as well as the information contained therein, is the responsibility of the governing bodies and management of Telefónica. They are also responsible for defining, adapting and maintaining the management systems and internal controls from which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

Our review work was carried out in compliance with ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC) and the Guide of performance on works of review of Reports of Corporate Responsibility issued by the Instituto de Censores Jurados de Cuentas de España (ICJCE).

Procedures carried out

Our work consisted in making enquiries to Corporate Management and the ones of the different business units which took part in the preparation of the 2008 Corporate Responsibility Report, applying certain analytical procedures and performing review tests on sample basis as described below:

1. Interviews with senior executives and personnel from the Corporate Responsibility areas of Telefónica, S.A. and more than 100 interviews with selected senior executives and key personnel from the fixed and mobile business areas in Spain, Argentina, Colombia, Chile, Peru, Brazil, Mexico, United Kingdom, Ireland, Czech Republic and Germany and Telefónica Foundation, in order to understand how the objectives and Corporate Responsibility policies are taken into account, put into practice and integrated into the entities' strategies.

Regarding the 2008 report, detailed tests of numerous indicators were carried out, allowing for a high assurance levels (according to the AA1000 Assurance Standards (2008 version)) of the majority of quantitative information included in the areas of employees, suppliers (except for the payment due dates), social security costs, and environmental management systems (except for energy and paper consumption).

The procedures applied for each indicator are listed in the Table of GRI Indicators included in the Appendix, which is an integral part of this Report. For each of the indicators the necessary supporting documentation was obtained.

Independence

We have performed our work in accordance with the standards of independence required by the Code of Ethics of the International Federation of Accountants (IFAC).

Conclusions

Our review has not revealed any significant matters which would lead us to believe that the 2008 Corporate Responsibility Report of Telefónica includes significant misstatements or was not prepared according to:

- The GRI Preparation Guide for Sustainability Reports, version 3.0 (G3).
- The principles stated in AA1000 Assurance Standards (2003 version) issued by AccountAbility (Institute of Social and Ethical Accountability).

Recommendations

We have also presented our recommended areas of improvement to Management of Telefónica, S.A., regarding each of the principles under the AA1000 Assurance Standards (2003 version) and the main interest groups identified. The most significant recommendations are as follows:

a) Materiality

The self-diagnosis process, which analyzes the activities carried out in each of the participating countries, has contributed to the improvement in the identification of key aspects, especially in the businesses of Telefónica in Europe.

We recommend that Telefónica continue its progressive and systematic incorporation of information for its overall operation, finalizing the work carried out throughout 2008, especially in the areas of regulation and competition.

b) Completeness:

In order to identify and understand the relevant information and Stakeholders expectations, Telefonica has several tools as the stakeholder's panel and Reprack: For the fourth consecutive year, discussion panels have been held with interest groups; with Ecuador including for the first time, as well as online systems, as in Germany. The use of internal tools continues, such as Reprack: through a series of interviews with citizens, it measures a range of attributes of the Company in the countries in which it operates.

We recommend continuing the progressive extension of the dialogue and communication model with different interest groups for all countries in which these activities are implemented.

c) Responsiveness:

This year, Telefónica has made progress towards incorporating the RC 2.0 concept, which integrates corporate responsibility initiatives within Telefónica's business strategy, which permits consolidation of objectives and challenges of each of the main interest groups, identified and made public in its Report on Corporate Responsibility. Also, as established the year before, new policies supporting compliance with the Group's General Principles have been established.

We recommend that the policies developed this year should be implemented quickly, such as responsible purchasing, extension of the General Principles to the supply chain, adult content, and data protection.

c1). Customers:

Through the "client commitment" program, Telefónica has made quantifiable commitments regarding the quality of the services it provides. Also, different indicators regarding client relationships and complaints are being unified across different regions. The different criteria should continue to be integrated, using the significant customer service indicators for their evaluation.

c2). Suppliers:

In 2008 Telefónica set up a system for evaluating its suppliers, and has approved the development of purchasing standards for social suppliers. There are clear areas of improvement, such as the integration of the operations carried out in the UK, Ireland, and Germany under the centralized purchasing system and improved control of compliance with payment due dates.

c3). Environmental issues:

This year, Telefónica agreed to reduce by 30% its electrical consumption across its IT system and by 10% in its offices in 2015. Many projects, grouped into five areas, have been initiated, and are being coordinated through the Climate Change Office. Management and measurement of procedures must also be improved in several Latin American countries, especially regarding electrical and electronic waste.

c4). Employees:

Throughout 2008, Telefónica has begun implementing worldwide initiatives designed to increase overall employee satisfaction, improving systems for gathering labour accident statistics. Improvements should be made in diversity projects, stating clear quantifiable goals, improving information systems for the remaining health and safety indicators.

c5). Society:

Telefónica had consolidated its commitment with the Society, duplicating the number of beneficiaries of the Proniño program: during 2009 their number should increase 20%. Also has been improved the information issued at the chapter of digital incorporation Accessibility should also be included in these projects.

This report has been prepared solely for the management of Telefónica, S.A., in accordance with the terms of our engagement letter.

ERNST & YOUNG SERVICIOS CORPORATIVOS, S.L.U.



José Díaz Morales
Partner

Madrid, July 7, 2009

APPENDIX : TABLE OF GRI INDICATORS OF TELEFÓNICA 2008 (*)

ECONOMIC DEVELOPMENT INDICATORS				
Detailed report of management It offers a detailed report of management on the elements below described in relation to the following economic aspects: economic performance, market presence and indirect impact of Telefónica.				
MATTER	IND.	SC.	V.P.	I. T.
Economic Development	EC1	G	CA	C
	EC2	G	SI/FE / IP	C/Q
	EC3	G	CA	C
	EC4	G	CA	C
Market presence	EC5	AT	SI/FE	C
	EC6	G	PP/ SI /FE	Q
Indirect economic impact	EC7	G	SI/FE	Q
	EC8	G	SI /IP (1)	C
EC9	G	SI	C	
ENVIRONMENTAL INDICATORS (2)				
Detailed report of management It offers a detailed report of management on the elements below described in relation to the following environmental aspects: materials, energy, water, biodiversity, emissions, emissions, spills and waste, products and services, compliance with environmental laws and regulations, general.				
MATTER	IND.	SC.	V.P.	I. T.
Materials (excluding O2)	EN1	G	SI/FE	C
	EN2	G	SI/FE	C
Energy	EN3	G	SI	C
	EN4	G	SI	C
	EN5	G	SI	C
	EN6	G	SI	Q/C
	EN7	G	SI	Q
Water	EN8	G	SI/CC	C
	EN9	NA	NA	C
Biodiversity	EN10	NA	NA	C
	EN11	G	SI/CC	Q
	EN12	G	SI/FE	Q
	EN13	G	FE	Q
	EN14	G	SI/FE	Q
Emissions, spills and waste	EN15	NA	NA	C
	EN16	G	SI	C
	EN17	G	SI	C
	EN18	G	SI	Q
	EN19	ND	ND	C
	EN20 (3)	ND	ND	C
	EN21	NA	NA	C
	EN22	G	SI/FE	C
	EN23 (4)	G	SI/FE (3)	C
	EN24	NA	NA	C
	EN25	NA	NA	C
Products and services	EN26	G	SI/IP	Q/C
Compliance with legislation	EN27	NA	NA	C
General (excluding O2)	EN28	G	SI/AJ	C
	EN29	NA	NA	Q
EN30	G	SI/FE	C	

IND. → Indicator.
SC. → Scope.
V.P. → Verification procedure.
T.I. → Type of indicator.
C → Quantitative indicator
Q → Qualitative Indicator

The indicators related to the organization's profile are specified in the GRI table of the Company's online report.

SOCIAL DEVELOPMENT INDICATORS				
LABOR AND DECENT WORK PRACTICES				
Detailed report of management It offers a detailed report of management on the elements below described in relation to the following labour aspects: employment, labor-management relations, safety and health, training and education and diversity and equal opportunities.				
MATTER	IND.	SC.	V.P.	I. T.
Employment	LA1	G	SI/FE	C
	LA2	G	SI/FE	C
	LA3	G	SI/FE	Q
	LA4	G	SI/FE	C
Company - employee relationship	LA5	G	PP	C
	LA6	G (sin AT)	SI/FE	C
Health and Safety at work	LA7	G (sin AT) (5)	SI/FE	C
	LA8	G (sin AT)	PP	Q
	LA9	G (sin AT)	PP	Q
Training and education	LA10	G	SI/FE	C
	LA11	G	PP/SI / FE	Q
Diversity and equal opportunities	LA12	G	PP/SI	C
	LA13	G	CO	C
LA14	H	PP	C	
HUMAN RIGHTS				
Detailed report of management It offers a detailed report of management on the compliance of matters related to the human rights: Investment and Procurement Practices, non discrimination, freedom of association and employee negotiations, elimination of the child labour, forced and compulsory labor, practices or procedures for the record of complaints or claims, security practices and indigenous rights.				
MATTER	IND.	SC.	V.P.	I. T.
Investment and supply practices	HR1	ND	ND	C
	HR2	G	SI/FE	C
	HR3	G	SI	C
No discrimination	HR4	G	AJ	C
Freedom of association and collective labor agreements	HR5	G	PP/PM / PA	Q
Child labor	HR6	G	PP/ PM/ FA	Q
Forced labor	HR7	G	PP/ PM/ PA	Q
Safety practices	HR8	(6)	(6)	C
Indigenous rights	HR9	G	AJ	C
SOCIETY				
Detailed report of management It offers a detailed report of management on the compliance of matters related to the society: community, corruption, public politics, laws and regulations compliance.				
MATTER	IND.	SC.	V.P.	I. T.
Community	S01	G	FE/SI	Q
	S02	G	AI	C
Corruption	S03	G	AI	C
	S04	G	AI	Q
Public policy	S05	G	PA	Q
	S06	G	AI	C
Unfair competition conduct	S07	G	AJ	C
Compliance with legislation	S08	G	AJ	C
PRODUCT RESPONSIBILITY				
Detailed report of management It offers a detailed report of management on the compliance of matters related to the society and clients: customer health and safety, product and service labeling, marketing communications, customer privacy, and laws and regulations compliance in the above mentioned matter.				
MATTER	IND.	SC.	V.P.	I. T.
Customers' health and safety	PR1	G	SI	Q
	PR2	G (sin O2)	AJ	C
Labeling of products and services.	PR3	G	PP/IP	Q
	PR4	G (sin O2)	AJ	C
	PR5	G	PP/SI/IE	Q
Marketing communications	PR6	G	PP	Q
	PR7	G (sin O2)	AJ	C
Customer privacy	PR8	G	AJ/FE	C
Compliance with legislation	PR9	G (sin O2)	AJ	C

GRI SUPPLEMENT FOR TELECOMMUNICATIONS SECTOR				
COMPANY OPERATIONS				
MATTER	IND.	SC.	V.P.	I. T.
Investments	I001	G	IP/CA	C
	I002	G	SI/CO	C
Health and Safety	I003	G	PP	Q
	I004	NA	NA	Q
	I005	G	FE/SI	Q
	I006	NA	NA	Q
Infrastructures	I007	G	PP	Q
	I008	G	SI	C
SERVICE PROVISION				
MATTER	IND.	SC.	V.P.	I. T.
Access to telecom services	PA01	G (sin O2)	SI/IP	Q
	PA02	G (sin O2)	SI/IP	Q
	PA03	G	PP/ SI	Q
	PA04	G	SI	C
	PA05	G	SI/IP	Q
	PA06	ND	ND	Q
Access to contents	PA07	G	PP/ SI	Q
Relations with customers	PA08	G	SI/FE	Q
	PA09	ND	ND	C
	PA10	G	SI/IP/FE	Q
	PA11	G	SI/FE	Q
TECHNOLOGICAL APPLICATIONS				
MATTER	IND.	SC.	V.P.	I. T.
Efficient use of resources	TA01	G	SI	Q
	TA02	G	SI	Q
	TA03	ND	ND	Q
	TA04	ND	ND	Q
	TA05	G (sin O2)	PP/ SI	Q

- (1) Practical cases related to the indicator are given, but not every actions carried out is included.
- (2) Although the information reported is for all the scope included in this table and is sufficiently representative, in the Report not all the relevant information for all the countries and entities that are part of the scope is included. See the breakdown, by country and entity, in the CR Report.
- (3) EN 20: Not material indicator.
- (4) There is not information provided about the volume of the spillages happened during the exercise 2008. Nevertheless, it has not been significant
- (5) Though this indicator applies, information is not included in the report RC on occupational diseases, because there are differences in the processes of information record.
- (6) Though this indicator applies, information is not included in the report RC, since training has not been given in this matter during the exercise 2008.

(*) The following page includes the explanation of the different Procedures of Review and Perimeter of the reported information.

APPENDIX : TABLE OF GRI INDICATORS OF TELEFÓNICA 2008

LEGEND Procedure of check	CA	Verification with the audited Consolidated Annual Accounts and Management Report of Telefónica, S.A. for 2008.	IP	Quantitative and qualitative data contrasted with public information reported by the Telefónica Group to markets or on their own Internet pages.
	ATM	Verification with the audited Consolidated Annual Accounts and Management Report of Telefónica's Association for Supporting the Disabled (ATAM) for 2008.	PP	Verification that Regulations, Systems and Procedures are in place.
	PA	Contrasted with the Business Principles of the Telefónica Group as approved in December 2008.	CC	Verification of the calculations performed, using the methodology applied by the Telefónica Group.
	FE	Contrasted with external sources, for a sample, of the quantitative or qualitative information from internal systems in the Telefónica Group companies. Depending on the indicator, the external sources used have included, inter alia, third-party reports issued for internal use of Telefónica, press releases, access to non-Telefónica web pages, invoices, and payroll slips.	AI	Conformity with the communication/documentation received from the Deputy General Director for Corporate Intervention, Inspection and Internal Audit.
	CO	Contrasted with notifications sent to the corresponding official public bodies (CNMV, CMT, etc.).	NA	Verification of the reasonableness of the criteria used to classify activities performed by Telefónica as "not applicable."
	PM	Verification of participation in the Global Compact.	ND	Indicators applicable to Telefónica activities for which information is unavailable or not reported.
	SI	Verification of adequate gathering of information reported with internal information systems and/or contrasting of the qualitative information with supporting documentation provided by the areas or companies in charge.	AJ	Conformity with the information received from each country's legal services.
LEGEND Perimeter of the information reported	G	Telefónica Group (including O2 activities)	G (sin AT)	Telefónica Group (excluding ATENTO activities)
	G (sin O2)	Telefónica Group (excluding O2 activities)	AT	Atento
	O2	Telefónica O2 Europe (UK, Germany, Ireland and Czech Republic)		

The appendix corresponding to the tables has been updated On July 7, 2009, introducing the indications marked by Telefónica and GRI, not modifying the content, not even the conclusions of our Report of Check.

The explanations of the NA (not apply) and the ND (not available) are in the report on line of Telefónica.