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Annex 1: About the Report

Dialogue with Stakeholders

Reporting Principles

Boundary of Consolidation of Included Information

Information Consolidation Process

Participating organisations in the panels on Telefónica's CR Report

1. UN (United Nations)

Employees

2. CCOO, (Comisiones Obreras Trade Union)
3. Asociación Mayores de Telefónica (Association for Telefónica's Elderly)
4. Federación Española de Hostelería (Spanish Hotels and Catering Federation)
5. Fundación + Familia,
6. Conexión Social (Auditor)

Consumers

7. CECU, (Spanish Confederation of Consumers and Users)
8. Federación de Consumidores y Usuarios Independientes (Federation of Independent Consumers and Users)
9. Federación Española de Hostelería (Spanish Hotels and Catering Federation)

People with Disabilities

10. CERMI, (Spanish Committee of Disability Representatives)

11. Fundación ONCE

NGOs for Development

12. Fundación CODESPA
13. Red Cross
14. Fundación Carolina

NGOs for the Environment

15. Fundación CONAMA, (National Environment Commission)
16. ECODES, (Ecology and Development Foundation)
17. Fundación Entorno

Finance Sector

18. FTSE
19. Triodos Bank

Corporate Responsibility Analysts

20. Observatory of Social Responsibility
21. AECA (Spanish Business Accounting and Management Association),

Academia

22. Fundación Social Universidad Francisco de Vitoria,
23. ICADE
24. IESE
25. Instituto de Empresa
26. UNED
27. Universidad Complutense de Madrid

Business Organisations

28. AETIC (Spanish Association of ICT Companies)
29. CEOE, (Spanish Confederation of Business Organisations)

Dialogue with Stakeholders

Participants in the dialogue

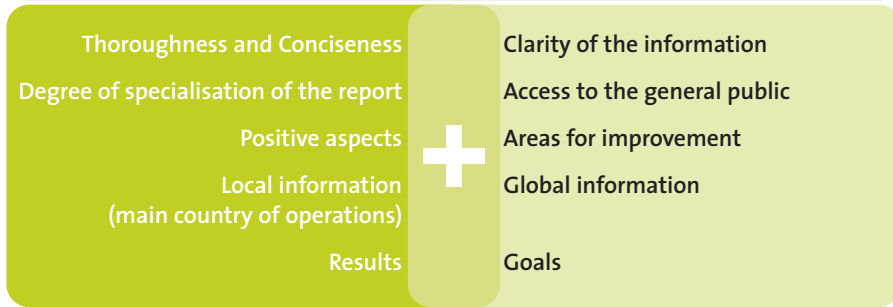
In March 2006, Telefónica called meetings of two panels of corporate responsibility experts representing Telefónica's different stakeholder groups in order to find out their opinion with regard to the "Corporate Responsibility Annual Report 2004", and gather any suggestions and comments.

Over 40 experts in corporate responsibility took part in this dialogue process, from almost thirty relevant organisations and institutions within Telefónica de España's stakeholder groups. This dialogue was organised by CR experts from the Noós Institute, an organisation that had already worked with Telefónica on the adaptation into Spanish of the "Good Practice Guide for Relations with Stakeholders".

The participants in the panels expressed high regard for the transparency of the company, who subjects itself openly to the criticism and opinion of its stakeholders.

Telefónica thanked all the panel participants for their collaboration, especially for their careful analysis of the reports and the spirit of constructive criticism underlying all the comments made.

According to the stakeholders, the CR Reports should achieve a balance between



Main conclusions regarding Telefónica's CR Reports

Structure and Format of the Report

Opinion	Comment
😊	Quality, completeness, structure and degree of detail provided in report. The report appears to offer a good general view of Telefónica and its stakeholders The stakeholders valued the case studies because of their anecdotal value and also because they specifically reflect more or less widely recognised complaints, as well as the reality of the countries of Latin America
😞	The report is excessively long and not easy to read for the non-specialised public The report lacks transversality in those horizontal issues that go beyond one single stakeholder (the way in which Telefónica is positioning itself, both internally and externally with regard to different Social Responsibility aspects, or which are its key values) Scarce use of new multimedia technologies that would allow a higher degree of flexibility and speed in reading and handling with the report The report does not have a numbered contents page

General Contents of the Report

Opinion	Comment
😊	The report includes data and degree of performance of CR policy in all countries where it operates, in spite of which there is still room for improvement The “executive summary” of the infography “You Come First” External verification of the report Comparatively, the Report is one of the best in its business sector
😞	Selection of stakeholders of the annual report. While some participants considered that the Report adequately reflected the reality of Telefónica, other participants requested that more stakeholders be included (e.g. governments, competitors...) or others be excluded (e.g. media). Inclusion in the report of aspects where improvements should be made, as well as addressing the “myths” that society has about Telefónica. This way the company would present itself as a more “human” company
😞	The report should include a table of achievements of Telefónica within the field of CR, as well as its future aims. These aims should also appear in the course of the text of the report and should better reflect what Telefónica intends to achieve with the Report Criticism was voiced with regard to a certain self-congratulating tone of the Report and a unilateral vision of the company. Lack of transparency with regard to the points of view of the stakeholders and little attention paid to the more conflictive issues Include more historical results data, in order to gain better insight into the company's performance over time, as well as data regarding the degree of fulfilment of the aims established the previous year Accompany the company information with information regarding the sector

Telefónica seeks to adapt the content of its Corporate Responsibility Report to the expectations of its stakeholders. For this reason, it holds an open dialogue with them and has tried to address most of the demands expressed by its stakeholders.

In the meetings with the stakeholders, the content of each of the chapters was analysed. What follows is a summary of the main criticisms and requests expressed, without including positive aspects for conciseness purposes. Telefónica's commitment was to try to apply the recommendations in its 2005 Report, and the fulfilment of this commitment is presented in these pages. Demands that have not been included for reasons of time constraints in the preparation of the report have been set as goals for 2006.

Criticism to the content of the different chapters

General Aspects of Sustainable Development

Opinion	Comment	page
☹️	Information regarding the impact on results of Telefónica's sustainable development strategy	15, 34-35
	Higher degree of classification into sectors of the different collectives in society (senior citizens, people with disabilities, etc.)	234-237
	References to the role of the company as a "global citizen" with regard to the great world problems / challenges (e.g. Millenium Development Goals, Climate change...)	40, 100-101
	Reference to ethics and practices against corruption and bribes	54-55

Corporate Government

Opinion	Comment	page
☹️	Response to the main information demands from readers (e.g. Board Member's remuneration)	26
	More emphasis on the way in which information transparency is achieved from the Company to the Board, and from the Board to the shareholders	28

Identity

Opinion	Comment	page
☹️	Clarify whether the values that Telefónica claims to abide by are the same ones as those perceived by society	38

Innovation

Opinion	Comment	page
☹️	Information regarding Telefónica's alliances for joint innovation	88-89, 92-95, 98-99
	Information regarding R&D activities outside Spain	84

Clients

Opinion	Comment	page
☹️	Telefónica's customers do not identify with the content of the Report	106, 112
	More specific information regarding Telefónica's policies for customer relations	106, 110-111
	More specific information regarding service quality and fulfilment, customer rights and customer service (claims)	118-119, 126-129
	More information on customer satisfaction	108-109
	Information regarding the degree of compliance with the goals established by the regulating authorities	154-165
	Address excessive use of automatic response systems, rather than personal customer service	127
	Reflect the efforts in terms of dialogue that Telefónica is developing with users and consumers associations	110-111
	Information regarding Telefónica's efforts to improve quality and solve conflicts with other operators	132-135
	Information about competitive and regulatory situation of Telefónica in the markets where it operates	150-165
	Information on evolution of rates	74-75
	Information on data protection	142-143

Employees

Opinion	Comment	page
☹️	A debate arose as to whether a company should include voluntary work activities of its employees as part of its CR Report	220
	Include case studies of those groups of employees with highest turnover rates (e.g. call centres) or who work in conflictive countries (e.g. Morocco, Colombia...)	182-183
☹️	Specific information regarding complaints, claims, fines, strikes...	219
	Information regarding the reconciliation between private and professional life, as well as models for compensating and avoiding extra hours	206
	Breakdown of results of work climate by level, company...	184-185
	Include more information on diversity (gender, disabilities, age...)	209-210
	Information regarding generation of indirect employment by Telefónica	87, 180
	Goals for improvement following the employment audit carried out in previous years	201
	Global health and safety statistics	211-212
	Information on degree of implementation of telecommuting	207
	Information on the way Telefónica manages its staff reduction plan and on the relationship it holds with former employees	39, 182
	Subcontracting of activities to third parties	180

Society

Opinion	Comment	page
☹️	Telefónica's relationship with NGOs (Despite this information being available in the Fundación Telefónica Report) It would be desirable for there to be a higher degree of interrelation between both reports	244
☹️	Information about Telefónica's contribution to the promotion of access to telecommunications among all social classes, especially in Latin America (e.g. phone line fee before, and phone line fee now)	234-235
	Information about the contribution of Telefónica (and its services) to the social integration of people with disabilities	237, 246-249
	More information about how Telefónica works to bridge the digital divide affecting the elderly	236-237
	Information about how Telefónica helps to solve the immigration phenomenon from Latin America to Spain	235

Environment

Opinion	Comment	page
☹️	Establish a priority of issues dealt with in the chapter on the basis of their actual impact on the environment	260
	More emphasis on the development of specific policies and degree of compliance with environmental goals of the Company	257
	More emphasis on the design of products and services with a positive effect on the environment, as well as Telefónica's activities with its customers to this regard	286
	Information on the degree of progress in environmental management in the company	257

Suppliers

Opinion	Comment	page
☹️	More emphasis on the implementation of codes of ethics and requirements regarding suppliers, as well as mechanisms to prevent corruption and bribery	300-301
	Include more information about control of compliance with the terms and conditions of supply established for its suppliers	296
	Include further information about how the information regarding compliance with human rights and environment criteria is used in the preparation of the report	300-301
	Information regarding the degree of fulfilment by Telefónica of its payment commitments	299

Media

Opinion	Comment	page
☹️	Include information regarding Telefónica's activities as an advertising investor	307

In the drafting of its 2005 Corporate Responsibility Report, Telefónica has applied the principles proposed by the GRI for decisions regarding the contents and structure of the report.

Reporting Principles

Principles for Defining Report Content

Inclusivity

The reporting organisation should identify its stakeholders and explain how it has responded to their issues in the report.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment
The organisation can describe the stakeholders to whom it considers itself to be accountable, and identifies the stake-holders that it expects to use the report	All the report structure is based on the main stakeholders of Telefónica	●
The report content draws upon the outcomes of stakeholder engagement processes used by the organisation to manage its activities	The report includes the results from different studies, surveys and focus groups carried out by Telefónica regarding their stakeholders	◐
The report content draws upon the outcomes of any stakeholder engagement process undertaken specifically for the report	Dialogue with stakeholders for the preparation of the report	●
The stakeholder engagement processes that inform decisions about the report are consistent with the scope and boundary of the report	The dialogue processes with regard to the Report have been carried out with Spanish stakeholders (there are specific reports in each country)	◐

Relevance and Materiality

The information in a report should cover issues and indicators that would substantively influence the decisions of the stakeholders using the report.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment
Major sustainability interests/ issues raised by stakeholders	Dialogue with stakeholders for the preparation of the report	●
Principales problemas del sector, tal como informan las by peers and competitors	Use of GRI sector supplement for telecommunications	●
Reasonably estimable sustainability risks identified by people with recognised expertise or by expert bodies with recognized credentials in the field	Communication for progress of the United Nations Global Compact Information regarding compliance with legal aspects in different countries	●
Reasonably estimable sustainability risks identified by people with recognised expertise or by expert bodies with recognized credentials in the field	Analysis of corporate responsibility opportunities and risks, as a first phase of the corporate responsibility project	◐
Internal Factors -Key organisational values, policies, strategies, operational management systems, goals and targets -Major risks -Critical factors for success -The organisation's core competencies and the manner in which they contribute to sustainable development	Chapter 02 describes Telefónica's identity and Corporate Responsibility strategy. Each chapter associates Telefónica's values with the stakeholders	◐
The report prioritises material issues and indicators	Executive Summary Report Data	◐

The assessment include in this section, column "Fulfilment", is exclusively from Telefónica and it hasn't being include in the independent verification section of this Report.

● Very High ◐ High ◑ Medium ◒ Low ○ Not applied

Sustainability Context

The reporting organisation should present its performance in the wider context of sustainability, where such context has significant interpretative value.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment ¹
The organisation presents its understanding of sustainable development and draws on the best available information and measures of sustainable development for the issues covered in the report	Presentation of the role of Telefónica as a driving force behind economic, technological and social progress Articles of telecommunications and sustainable development	
The organisation presents its performance with reference to broader sustainable development conditions and goals as reflected in recognised local, regional and/or global publications.	The key issues in sustainable development are included (GRI, sector supplement, dialogue with stakeholders...) but no objective and quantitative data	
The organisation presents its performance in a manner that attempts to communicate the magnitude of its impact and contribution in appropriate geographical contexts	Data regarding the influence of Telefónica on the local economies, as well as the influence of the company on the local telecommunication markets	
The report describes how major sustainability issues relate to long-term organisational strategy, risks, an opportunities, including supply-chain issues	Corporate Responsibility at Telefónica Suppliers	

Completeness

An organisation should make public its performance with sufficient detail as to allow stakeholders to evaluate the information. Completeness covers mainly its scope, boundaries and time period.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment ¹
The report covers issues and indicators prioritised on the basis of materiality, sustainability context, and stakeholder engagement, and was developed taking into account taking into account the whole value chain.	The report covers the entire value chain (chapter by chapter) but does not establish a priority of some aspects over others	
The report includes all entities controlled or significantly influenced by the organisation unless otherwise declared	Boundary of information included	
The information in the report includes all significant actions or events in the period reported on, and reasonable estimates of significant future impacts of past events when those impacts are reasonably foreseeable and may become unavoidable or irreversible	The report includes historical quantitative impact data, but does not include projections of said data.	
The report does not omit relevant information that would affect stakeholders' decisions	As with Dialogue with Stakeholders, there were some stakeholders who demanded further information with regard to the 2004 report. The same could occur in 2005.	




¹The assesment include in this section, column "Fulfilment", is exclusively from Telefónica and it hasn't being include in the independent verification section of this Report.

Very High High Medium Low Not applied

Quality of Reported Information






Balance

The report should provide a balanced and reasonable presentation of the reporting organisation's performance.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment ¹
The report discloses both favourable and unfavourable results	The 2004 report was criticised in this sense. We believe that the 2005 report offers a much more balanced view.	
The information in the report is presented in a format that allows the user to see positive and negative trends in performance.	The report includes many data charts and tables	
The emphasis on different contents of the report is proportionate to the relative materiality of the issues or information.	The report includes more material issues, in spite of there being no direct proportionality between emphasis and materiality	






Comparability

The information reported should remain consistent and be compiled and presented in a manner that enables stakeholders using the report to analyse the changes in the organisation's performance over time, as well as relative to other organisations.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment ¹
The report and the information contained within it can be compared on year-to-year basis	The structure followed in the 2005 report is the same structure of reports since 2002	
The organisation's performance can be compared with appropriate benchmarks (comparative analysis). Toda variación significativa en los contenidos básicos de la respect to boundary, cope, length of reporting period, or information covered year-to-year, can be identified and explained.	The benchmarks are not included in the report. The report contains the indicators of the main international standards.	
Where they are available, the reporting organisation applies generally accepted protocols for compiling information, including the GRI Technical Protocols for indicators contained in the Guidelines.	All the data included in the report has a clear reference to its reference boundary.	
The report uses GRI Sector Supplements, where available	The report has used the technical protocols recommended for the GRI G3, although not in an exhaustive manner	
	A sector supplement of the telecommunications sector has been used	

Accuracy

The reported information should be accurate and sufficiently detailed for stakeholders using the report to make decisions with a high degree of confidence.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment ¹
The report indicates what data has been measured	GRI Tables of the Corporate Responsibility Report	
The report indicates what data has been measured. for calculations are adequately described, and can be replicated with similar results.	Explanation of processes of consolidation of information.	
The margin of error for quantitative data is not sufficient to substantially influence conclusions on performance	Decisions regarding the boundary and processes of consolidation of information have been made to ensure this	
The report indicates what data has been estimated and what assumptions and techniques have been used to produce the estimates.	Explanation of the processes of consolidation of information	
The qualitative statements in the report are valid on the basis of other reported information and other available evidence.	The report has been verified by Ernst&Young, with the scope detailed in their report.	

The assessment include in this section, column "Fulfilment", is exclusively from Telefónica and it hasn't being include in the independent verification section of this Report.

 Very High
  High
  Medium
  Low
  Not applied

Timeliness

The information is presented in time, and on a regular schedule, for stakeholders using the report to be able to make informed decisions.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment ¹
Information in the report has been disclosed while it is recent relative to the reporting period	The report is published in the semester following the end of the financial year	●
The sustainability reporting schedule is aligned with the financial reporting cycle	The Annual Report covers the same period	●
The collection and availability of key performance information is aligned with the sustainability reporting schedule	Data collection is carried out once the financial year subject of the report has concluded	●
The information in the web-based reports clearly indicates the time period to which it relates, when it will be updated and when the last updates were made	All corporate responsibility reports are available on the website	●

Clarity

Information should be made available in a manner that is understandable by and accessible to stakeholders using the report.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment ¹
The report contains the necessary level of information for the needs of report users, but avoids excessive and unnecessary detail.	The report includes an executive report, and is presented in extended format in the online and CD version	●
Report users can find the specific information that they want without unreasonable effort through tables of contents, maps, links, or other aids.,	The preparation of the report has taken into account the recommendations for the presentation of the information expressed by their stakeholders	●
The report includes a glossary or explanation for technical terms, acronyms, jargon or other content that is likely to be unfamiliar to report users	There is a glossary available on Telefónica's website	◐
The data and information in the report is available to major stakeholders including those with special accessibility needs (differing abilities, languages, technology..)	The report is published on paper in an executive version, in three languages. The electronic format is published in two languages in the extended version	◐

Assurability

Information and processes used in the preparation of a report should be recorded, compiled, analysed and disclosed in a way that can be subject to review and assurance.

Tests recommended by GRI G3	Telefónica's Response	Fulfilment ¹
There is a statement from management taking responsibility for the content and process of preparing the report	The Report credits state that the Subdirectorate General of Reputation, Brand a CSR is the unit responsible for the content and and preparation of the report	●
The scope and extent of assurance, and the stakeholders expected to use the report are identified	Information about the boundary of the report, and dialogue with stakeholders with regard to the report	●
The original source of all the information in the report can be identified by the organisation	Traceability of all the information has been confirmed in the preparation and verification process of the report	●
The organisation can attest to the reliability of the original source, and, if not, this fact is disclosed	In some cases, it is necessary to improve the definition of indicators to ensure their homogeneity	◐
Representation is available for the original data or information owners, attesting to its reliability or accuracy within acceptable margins of error	The statements of reliability of the sources of information are implicit in the inclusion of all the information in the report	●
There is external evidence available from reliable sources for supporting assumptions or approaches to technically complex calculations	The reliability of the calculation methods is externally verified by the external auditor, in accordance with the scope detailed in their report	●

The assesment include in this section, column "Fulfilment", is exclusively from Telefónica and it hasn't being include in the independent verification section of this Report.

● Very High ◐ High ◑ Medium ◒ Low ○ Not applied

Telefónica considers itself to be a global company, with presence in Spain, Europe and Latin America. The 2005 Corporate Responsibility Report includes the performance of the fixed and mobile telephony operators in Spain and Latin America under Telefónica's control.

Consolidation Boundary of the Information Included

Multinational Company

Since the publication of its first corporate responsibility report in 2002, Telefónica has strived to present itself before its stakeholder groups as a multinational company. This is why, since this first report, it has always included data of its operations outside Spain.

This commitment to transparency was a determining factor in the application of the same corporate responsibility criteria in all countries, thereby avoiding double standards.

Telefónica's interest in accurately reflecting its impact on society has led to taking three actions in the last financial years:

- Participation in the GRI work group devoted to the study of information boundaries of companies (Boundaries Working Group).
- Preparation of local corporate responsibility reports in Latin America (Argentina, Brazil, Chile and Peru). These reports constitute a tool for closer communication with local communities and allow Telefónica to share the responsibility regarding information provision and consolidation.
- Use of corporate information consolidation tools, available throughout the Telefónica Group, where and when possible. This applies to financial, customer, employee, shareholder, supplier and innovation information. The rest of information regarding society, the environment or the media is compiled by means of specific tools.

Definition of consolidation boundaries

In order to define the scope of Telefónica's report, the following decisions were made.

Impact of companies on their environment

The analysis of the impact of the different business lines on their stakeholders concludes that the fixed telephony and mobile telephony business units have the highest impact on the Group's stakeholders.

According to this criterion, the Telefónica de Contenidos Units (Endemol, Telefe, Telefónica Servicios de Música or Telefónica Servicios Audiovisuales), Atento, TPI, Telefónica I+D or t-gestiona are not included in the scope of this report, unless explicitly mentioned.

However, for each stakeholder group, there has been an analysis as to whether any units within the Telefónica Group could have a significant impact on them, concluding that this is the case with the following:

- Telefonica I+D in the innovation section.
- Atento in the chapter on employees.
- T-gestiona in the chapter on the environment.
- Telefonica SA as the corporate centre in the chapters on shareholders and the media.

Control over activities

Telefónica's corporate responsibility report includes the units where a high level of impact has been identified, and over which the Group has control, being companies where Telefónica holds a share of over 50%.

The only exception in this sense is the European companies. Cesky Telecom is the company that provides telecommunications services in the Czech Republic and was acquired by Telefónica in 2005. After the acquisition of O2 at the beginning of 2006, Cesky Telecom and Telefónica Deutschland will be managed by O2, and the performance of these companies will be included in the 2006 report. O2 will publish its own report corresponding to FY 2005, as it has done in recent years, without including the activities of Cesky Telecom and Telefónica Deutschland

There are some telephony operators whose information is not included in the report due to the fact that Telefónica's shareholding percentage is under 50%:

- Vivo: mobile telephony company in Brazil, managed as a "joint venture" with Portugal Telecom, on a 50% share basis. This company has been publishing its own Corporate Social Responsibility Report since 2004.
- Meditel: joint venture with Portugal Telecom, in which Telefónica holds a 32.18% share.
- China Netcom, company where Telefónica holds a strategic 5% share.
- Portugal Telecom, with which Telefónica holds an alliance that has led to it holding a stable share of 9.84 percent of its capital.

Lastly, it is important to mention that in spite of the fact that in 2005 TPI was a Telefónica Group company; the divestiture of this business unit has since been announced. For this reason, it is believed that the degree of control over the unit in future will be lower than that at present.

Unless explicitly mentioned in the Report, Telefónica does not include the above-mentioned companies in its 2005 report. Other companies Telefónica does not report on are Sogetel (23.83% share), Lycos Europa (32.1% share) or Amper (6.10% share).

Influence on activities

Telefónica can have influence on the behaviour of its suppliers and clients with regard to certain sustainable development aspects. That is why its 2005 Corporate Responsibility Report reports in a qualitative manner on:

- The establishment of environmental, employment and human rights requirements for Telefónica suppliers.
- Recommendations to clients as to how to use Telefónica's products and services correctly.
- Adoption of corporate responsibility criteria in the investment of pension funds of Telefónica employees.

With a view to encouraging maximum transparency, Telefónica explains the way in which the information is consolidated in the different chapters and aspects included in the report.

Consolidation Process of the Information

The economic and financial information included in the report is taken from the same sources used for the preparation of the Annual Report for shareholders and investors. In this information, the boundary corresponds to all the companies of the Group, as is specified in the financial information.

The information regarding innovation is consolidated through the corporate department of Innovation of Telefónica SA, in collaboration with Telefónica I+D. The investment data for innovation are taken from the purchasing systems and are consolidated without applying any proportionality criterion. Given that they are financial data, the boundary corresponds exactly to that of the financial information.

The information regarding customers is taken from the quality control and operational systems of Telefónica de España, Telefónica Internacional and Telefónica Móviles. The information is presented individually for each operation, and where there is consolidation, it is carried out using revenue as a proportionality factor.

The information on employees is taken from the Human Resources management systems, and in this Report, the concept of “person” is used, rather than the equivalent concept of “employee” that is normally used in the financial reports. Where the information is presented in a consolidated manner, the number of employees is used as the proportionality factor.

The information regarding digital inclusion is taken from the management and regulation control systems of Telefónica de España,

Telefónica Internacional and Telefónica Móviles.

The information regarding social and cultural action is taken from Fundación Telefónica, ATAM and the sponsorship unit of Telefónica SA. The only consolidated data are the financial data, which are aggregated by simple sum.

The information on the environment is taken from the department of environment or quality of each of the operators. This information is gathered by means of forms that are distributed electronically to the different companies and is consolidated by means of simple sum.

The information regarding suppliers is taken directly from the contract awarding system through the purchasing department. The consolidation of the information is carried out without applying any criterion as a proportionality factor, presenting the information broken down by country or line of business. As in the previous cases, this chapter includes all the financial boundary of the Telefónica Group.

The information on media is from the departments of communication of the different lines of business.

In the preparation of the report, news items published across the internal communication media of the company have been used. It is considered that all sensitive information liable to be included in corporate responsibility reports must have been communicated to the employees, as a guarantee that the information is relevant.

Independent Assurance

The Audit and Control Committee of the Board of Directors of Telefónica SA approved the verification of the 2005 Report on Corporate Responsibility of the Telefónica Group. This process includes the following:







- Verification under standard AA1000/AS of the Telefónica Groups's behaviour towards its stakeholders in Spain and on a corporate scale.
- Verification of GRI indicators included in the report for all the boundary of data included (Spain and Latin America)
- Verification of GRI indicators included in the report on corporate responsibility of Argentina, Brazil, Chile and Peru.

The verification work was commissioned from Ernst&Young, following the criteria that the corporate responsibility information should be verified by the same Firm that is in charge of the financial information audit. In selecting this Firm, the fact that it used the international standard ISAE3000 and that it is the checker of O2, the company acquired by Telefónica. in 2006 and selected "best-in-class" in the DJSI Evaluation carried out in 2005, were factors that influenced the decision to choose Ernst&Young.

This commitment to external verification of the Reports on Corporate Responsibility reflects Telefónica's commitment to continue increasing the transparency and veracity of the information included in the reports.

In order to guarantee stakeholders the exactness of the information, Ernst&Young was asked to verify the report.

Evolution of the verification of Reports of Corporate Responsibility

	2002	2003	2004	2005
Telefónica CR Report	 Not verified	 Verification by AENOR of the GRI report	 Verification by Deloitte de datos GRI	 Audit by E&Y AA1000/AS of data for Spain Verification by E&Y of GRI data
Country CR Report	-	-	 Not verified	 Verification by E&Y of GRI data



United Nations Global Compact Table of Communications on Progress

Telefónica signed the Global Compact Principles in 2002. Since it joined, the Company has reported annually on its commitment to this initiative, on the application of its 10 Principles, and on the evaluation of the results obtained in the policies implemented for its compliance.

In 2004, the United Nations Global Compact Office published the Integrity Measures. The aim of these measures is to safeguard the credibility of the initiative and of the signing companies. Thus, the signing companies are requested to publish the “Communications on Progress”, that is, to make public through their annual reports, websites or other means, the progress of the implementation of the Principles in their company strategy.

The Communications on Progress must include the following three elements:

- A declaration of the continuity of support to the Global Compact in the opening letter, statement or message from the CEO, Chairman, or other senior executive.

Letter from the Chairman

- A description of the practical measures adopted by the participants in order to apply the principles of the Global Compact during the previous FY.
- A quantification of the results obtained or projected, using, where possible, indicators or systems like those developed by the GRI (Global Reporting Initiative).

This section includes the main milestones in the progress of the implementation of the Global Compact Principles in 2005. For more detailed information and details of the indicators associated to the compliance with the Principles, please refer to the GRI tables and their verification.

Communication on progress in the United Nations Global Compact

Aspect GC Principle Principles 1-2	Most relevant GRI indicator	Milestone in 2005	Challenge for 2006
Human Rights 1-2	HR1, HR2, HR3, HR4, HR8 Q1.1, Q1.2, Q3.4, Q3.17, PA1, PA2, PA3, PA4, PA5, PA6, PA7	<ul style="list-style-type: none"> • Manual for non-discriminatory communication with disabled people . derivadas de auditoría laboral. • Increase in number of products and services accessible to disabled people • Increased number of services aimed at people with low income • Human Rights training in companies providing security services • New social responsibility requirements for suppliers: corrective measures derived from labour audit 	<ul style="list-style-type: none"> • Definition and Approval of Corporate Integration Policy for people with disabilities (Spain) • Definition and Approval of Internal Regulations for minimum Requirements for Accessibility (Group) • GeSI Supply Chain Work Group: extension of activities to suppliers. • Definition and Approval of Purchasing Policy with regard to Suppliers who work towards social integration. • Definition of a Global Plan of Digital Inclusion (Latin America)
Labour standards Principles 3-6	HR5, HR6, HR7, HR8 HR9, HR10, HR11, LA3, LA4, LA5, LA6, LA7, LA8, LA10, LA11, LA14, LA15, IO3, IO4, IO5, IO6, IO7, IO8	<ul style="list-style-type: none"> • An average of 49.32% of Telefónica Group's employees are women • 21.83% of women are in management and middle management in the Company. • Schooling of over 11,000 children, victims of child labour, through the Proniño Programme • Decrease in rate of accidents per million hours worked (4.99 vs. 7.01) • 10% increase in number of people with disabilities employed by the Telefónica Group in 2005, with over 1,000 disabled employees • Over 45,000 employees of the Telefónica Group are Trade Union members 	<ul style="list-style-type: none"> • Definition and Approval of Internal Regulations of Minimum Requirements regarding Health and Safety at Work • Definition and Approval of Internal Regulations of Minimum Requirements Life Environment
Environment Principles 7-9	EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, PA8 Q1.1, Q3.13	<ul style="list-style-type: none"> • Implementation and Internal Audit of Minimum Environmental Requirements • Efficiency Programme in paper and energy consumption 	<ul style="list-style-type: none"> • Common Environmental Policy (Group) • Country Environmental Committees • Definition and Approval of Management and Control Regulations regarding the Environment
Anti-corruption Principles 10	SO2, SO3, SO5, SO6, SO7	<ul style="list-style-type: none"> • Implementation of Telefónica Móviles Code of Ethics • Approval of Telefónica Group's Code of Ethics • Definition and Approval of Policy regarding responsible use of Internet Responsable de Internet • Definition and Approval of Regulations on Adult Content Management 	<ul style="list-style-type: none"> • Implementation across the Group • Alignment with O2's Business Principles • Implementation of Responsible Use of Internet Policy • Implementation of Adult Content Management Regulations



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**ASSURANCE REPORT ON THE ANNUAL CORPORATE RESPONSIBILITY REPORT
TELEFÓNICA, S.A. 2005
(ORIGINAL VERSION IN SPANISH)**

To the Human Resources and Corporate Reputation Commission of the Board of Directors of Telefónica, S.A.:

In accordance with the terms of our Engagement letter dated February 1, 2006, we have verified, using the agreed-upon scope and procedures listed below, the *Annual Corporate Responsibility Report: Telefónica, S.A. 2005*, the preparation of which is the sole responsibility of Telefónica, S.A.

Our responsibility with respect to providing this professional service is solely and exclusively to the Management of Telefónica, S.A. under the terms established for the assurance of their *Annual Corporate Responsibility Report*.

Scope

In compliance with the scope requested, we verified the *Annual Corporate Responsibility Report: Telefónica, S.A. 2005* using a double perimeter:

- Global perimeter of the Telefónica Group under the Global Reporting Initiative (GRI) standards.
- Perimeter of activities carried out in Spain in accordance with the principles established by the AA1000 Assurance Standards issued by AccountAbility, Institute of Social and Ethical Accountability.

Additionally, we followed the guidelines established in ISAE 3000 applicable to the assurance of non-financial reports, along with the generally accepted principles relating to agreed-upon procedures in Spain.

The verification, thus, consisted of the following:

- **Verification of compliance with GRI standards**

1. Adaptation of the structure and content of the Report to the principles and guidelines established in the GRI Reference Guide (version 2002).
2. Adequate traceability of information and data corresponding to core and additional indicators and the Telecommunications Sector Supplement, as well as the reasonability of the criteria followed in its classification of indicators, where appropriate, as not applicable.

- **Verification under AA1000 Assurance Standards**

The verification procedures were developed in order to evaluate the *Corporate Responsibility Report* with respect to the scope of activities performed in Spain, in accordance with the following principles:

1. Materiality of the information provided according to the needs and requirements of the stakeholders.
2. Completeness in identifying, understanding and managing impacts through systems and processes, including commitment processes with stakeholders.
3. Responsiveness to the objectives and expectations of the stakeholders and the appropriate and timely communication of plans addressed at said groups.

Verification procedures

The procedures performed were as follows:

1. Interviews with a selection of managers and key personnel in the Corporation and from the main operating units of each of the countries (hereinafter Telefónica or the Group, unless one of the companies is expressly mentioned) in order to understand the objectives for corporate responsibility established in the Group with respect to social, ethical or environmental aspects. Additionally, information was collected on the follow-up and internal assurance of these objectives.
2. Review Telefónica's relevant documentation, such as literal transcriptions of minutes of the meetings of the Board of Directors in which resolutions were adopted relating to Corporate Responsibility, as well as excerpts from copies of the minutes corresponding to aspects on the same subject dealt with in meetings held by the Human Resources and Corporate Reputation Commission.
3. Review of the processes and systems through which the Telefónica Group establishes its commitments with stakeholders, along with the identification and establishment of key issues to include in the Report.
4. Review of a sample of news published in 2005 relating to any of the aspects linked to Telefónica's corporate responsibility or connected to its stakeholders in order to verify proper handling of this news in the Report.
5. Review of the preparation of the Telefónica, S.A. Report in accordance with the 2002 GRI standards, verifying that:
 - It contains information relating to the vision and strategy, profile, governance structure and management systems.

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- It includes a table of contents.
 - It includes information concerning each of the indicators established by GRI or justifies their omission.
 - The criteria by virtue of which an indicator is classified as "not applicable" is reasonable.
 - The information contained in said Report is consistent with GRI principles.
 - It contains a declaration signed by the Group President confirming that the Report was prepared in accordance with GRI standards.
6. Interviews with a selection of managers and key personnel in the Spanish entities representing business lines in wire telephone and mobile telephone service, in order to learn how corporate objectives and policies are put into practice and included in the entities' strategies with respect to the AA1000AS.
7. Both the quantitative and qualitative information contained in the Report was verified using samples. The test on samples was performed with information relative to the following entities in Spain (Telefónica de España, S.A.U., Telefónica Móviles España, S.A., Telefónica I+D, Telefónica Móviles, S.A.; Telefónica, S.A., Atento Teleservicios España, S.A), Argentina (Telefónica de Argentina, Telefónica Móviles Argentina, Atento Argentina), Brazil (Telesp, Atento Brasil), Chile (Telefónica CTC Chile, Telefónica Móviles Chile, Atento Chile) and Peru (Telefónica de Perú, Telefónica Móviles de Perú, Atento Perú), in accordance with its relevance for each of the indicators.

Additionally, when it was considered necessary for relevancy purposes, information corresponding to other countries in which Telefónica operates was verified.

8. Verification with supporting documentation for justification purposes through external sources whenever possible and otherwise through internal sources of other types of information, not required by the GRI, included in the Report.

Level of Assurance

Since currently the AA1000 Assurance Standards do not establish regulations on verification or assurance levels, we have planned and designed the procedures applied for obtaining the information and explanations deemed necessary to ground our conclusions under said standards within the terms agreed upon with the Management of Telefónica, S.A., while also taking into account the ISAE 3000 guidelines for limited-scope verification.

Limits of our review

- The scope of our work consisted of verifying the samples obtained according to the description in sections 7 and 8 above for data relating to 2005. The information from previous years in the Report was not included in the scope of our procedures; this information was only checked against the data included in the 2004 Report prepared by Telefónica, S.A. which was assured by another independent entity.
- Ernst & Young has not participated in the dialogues that Telefónica has held with its stakeholders. For this reason, our conclusions on the principles of materiality and responsiveness are based on a review of the documents (provided to us by Telefónica) resulting from said interaction.

Our conclusions

Based on the results obtained from the verification procedures performed, here are our conclusions and most relevant points for improvement relating to each one of the AA1000 principles, as well as with compliance with GRI guidelines. These conclusions must be considered with the limitations described above.

a) Materiality

Principle: The CR Report presents relevant matters concerning economic, social and environmental performance.

The 2005 Annual Corporate Responsibility Report provides balanced information on Telefónica's actions in this area, including matters requested by stakeholders during dialogues, as set forth in "Dialogue with stakeholders" in Chapter 11 of the Report.

With respect to certain indicators from the 2002 GRI Table attached, which forms a necessary part of this Assurance Report, the unavailability of the information for some countries or activities carried out by Telefónica is reflected. It would be a logical step forward to progressively and systematically include this information for the perimeter of the Telefónica Group.



b) **Completeness**

Principle: The organization has mechanisms and systems to obtain information on stakeholders' expectations and to identify the relevant information to be included in the CR Report.

Based on our review:

We did not detect incorrect statements in the Report or relevant material matters excluded other than those mentioned in section a) above. In developing the procedures performed, we did not detect any missing information relating to social or environmental actions by significant business units, with the exception of those mentioned above.

We received information or explanations to provide evidence for the statements reflected in the Report and which we chose to include in our verification.

The following actions are recommended to consolidate the processes and procedures implemented by Telefónica:

- Progressively extend the model for dialogue and communication with its stakeholders to all countries and business lines which comprise its activities.
- Continue to integrate the objectives relating to Corporate Responsibility into the strategic objectives of the various Areas and Group countries through unique management systems and indicators.
- Reinforce the systems installed to manage the traceability of the data reported.

c) **Responsiveness**

Principle: The organization has effective processes to manage and provide information on answers given in response to its stakeholders' expectations

Based on our review:

The *Annual Corporate Responsibility Report: Telefónica 2005* includes material matters relating to the expectations expressed during dialogues with stakeholders held throughout the year, the results of which were provided to us. For the purposes of this conclusion, section a) above must be taken into consideration.

Over the course of its report, Telefónica includes the policies, internal regulations, programs and activities approved and developed throughout 2005. In each of the chapters, the report mentions the situation or level of development or implementation in each case.

In relation to the previous paragraph, the following actions are recommended:

- Extend the progress of implementing the Code of Ethics in Telefónica Móviles to the rest of the Group. This will imply developing and approving new, specific policies to allow the appropriate development and implementation of the principles included in this Code, as well as other requirements from its stakeholders.
- Optimize procedures for standardized and systematic fulfillment, follow-up and reporting for all policies and internal regulations already approved by Telefónica.

Agreement between the Annual Report on CR and the GRI standards

Based on the results obtained from the procedures performed on information published and available, according to section a) above, we consider Telefónica, S.A.'s Annual Report on Corporate Responsibility to be prepared in accordance with the 2002 GRI Sustainability Reporting Guidelines and the Telecommunications Sector Supplement.

Our work consisted of performing specific procedures described in this report. If other procedures had been performed than those indicated or had the size of our samples been increased, significant matters may have been detected in addition to those mentioned herein.

Our Independence

Ernst & Young's independence policies are applicable to the Firm, its partners and its professionals. These policies prohibit any financial interest in our clients that might compromise our independence. Each year, partners and personnel are required to confirm their compliance with the Firm's policies.

In addition, as auditors of Telefónica, S.A.'s annual accounts, the provision of our services was approved by the Audit Committee to guarantee our independence as stipulated in the Group's procedures and described in the chapter on Corporate Governance of the Annual Corporate Responsibility Report.

THIS REPORT IS A TRANSLATION OF THE ORIGINAL DOCUMENT IN SPANISH. IN THE EVENT OF ANY DISCREPANCY, THE SPANISH TEXT SHALL PREVAIL.

PLEASE ALSO NOTE THAT THIS REPORT IS BEING ISSUED ON THE VERSION IN SPANISH OF THE ANNUAL CORPORATE RESPONSIBILITY REPORT: TELEFÓNICA 2005; WE HAVE NOT REVIEWED THE ENGLISH VERSION PREPARED BY SWORN TRANSLATORS.

ERNST & YOUNG, SERVICIOS CORPORATIVOS, S.L.

José Luis Solís Céspedes
Partner

Madrid, May 15, 2006


GRI REPORT CONTENTS ACCORDING TO 2002 GRI GUIDELINES

1. VISION AND STRATEGY		
GRI	Description	Pages
1.1	Statement of the organisation's vision and strategy regarding its contribution to sustainable development.	4-5, 6-7, 15, 34 48-55, 63, 68-101, 228-249
1.2	Statement from the CEO (or equivalent senior manager) describing key elements of the report.	4-5
2. PROFILE		
ORGANISATIONAL PROFILE		
GRI	Description	Pages
2.1	Name of reporting organisation.	1
2.2	Major products and/or services, including brands if appropriate.	10-17, 58-61
2.3	Operational structure of the organisation.	13-14
2.4	Description of major divisions, operating companies, subsidiaries, and joint ventures.	13-14
2.5	Countries in which the organisation's operations are located.	13
2.6	Nature of ownership; legal form.	22-29, 174-175
2.7	Nature of markets served.	13, 150-165, 228-249
2.8	Scale of the reporting organisation.	6-7, 10-17
2.9	List of stakeholders, key attributes of each, and relationship to the reporting organisation.	6-7
REPORT SCOPE		
GRI	Description	Pages
2.10	Contact person(s) for the report, including e-mail and web addresses.	328
2.11	Reporting period (e.g., fiscal/calendar year) for information provided.	1
2.12	Date of most recent previous report (if any).	43
2.13	Boundaries of report (countries, services)	320-321
2.14	Significant changes in size, structure, ownership, or services.	11-13
2.15	Basis for reporting, partially owned subsidiaries.	43, 312-322
2.16	Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	NA
REPORT PROFILE		
GRI	Description	Pages
2.17	Decisions not to apply GRI principles or protocols in the preparation of the report.	316-319
2.18	Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits.	239
2.19	Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information.	322
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability of the information.	323
2.21	Policy and current practice with regard to providing independent assurance for the report.	328
2.22	Means by which report users can obtain additional information.	www
3. GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS		
STRUCTURE AND GOVERNANCE		
GRI	Description	Pages
3.1	Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation.	24-27
3.2	Percentage of the board of directors that are independent, non-executive directors.	24-27
3.3	Process for determining the expertise board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunities.	225
3.4	Board-level processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities.	29
3.5	Linkage between executive compensation and achievement of the organisation's financial and non-financial goals (e.g., environmental performance, labour practices).	26
3.6	Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.	25, 35
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.	23, 50-53
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors.	174



STAKEHOLDER ENGAGEMENT		
GRI	Description	Pages
3.9	Basis for identification and selection of major stakeholders.	2-3, 6-7
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	56-57, 108-111 184-185, 298-299, 312-355
3.11	Type of information generated by stakeholder consultations.	108-111, 184-185 298-299, 312-355
3.12	Use of information resulting from stakeholder engagements.	108-111, 184-185 298-299, 312-355
OVERARCHING POLICIES AND MANAGEMENT SYSTEMS		
GRI	Description	Pages
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	37
3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses.	44-45, 92-95 110-111, 238-239, 255
3.15	Principal memberships in industry and business associations, and/or national/international advocacy organisations.	98-99
3.16	Policies and/or systems for managing upstream and downstream impacts.	136-149, 300-301 306-307
3.17	Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	36-42
3.18	Major decisions during the reporting period regarding the location of, or changes in, operations.	228-229
3.19	Programmes and procedures pertaining to economic, environmental, and social performance.	36-42
3.20	Status of certification pertaining to economic, environmental, and social management systems.	134-135, 257
4. GRI CONTENT INDEX		
GRI	Description	Pages
4.1	A table identifying location of each element of the GRI Report Content, by section and indicator.	330


2002 GRI INDICATORS

ECONOMIC PERFORMANCE INDICATORS						
CUSTOMERS						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EC-01	Net sales.	10, 16-17 69, 72-73	G	<input checked="" type="checkbox"/>	CA
C	EC-02	Geographic breakdown of markets.	13, 69	G	<input checked="" type="checkbox"/>	CA
SUPPLIERS						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EC-03	Cost of all goods, materials, and services purchased.	6-7 72-73, 294	G	<input checked="" type="checkbox"/>	SI / FE
C	EC-04	Percentage of contracts that were paid in accordance with agreed terms.	299	TdE / TME	<input checked="" type="checkbox"/>	AI
C	EC-11	Supplier breakdown by organisation and country.	70-71 294-295	G	<input checked="" type="checkbox"/>	SI
EMPLOYEES						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EC-05	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments).	6-7 72-73 188	G	<input checked="" type="checkbox"/>	CA
PROVIDERS OF CAPITAL						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EC-06	Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed.	72-73	G	<input checked="" type="checkbox"/>	CA
C	EC-07	Increase/decrease in retained earnings at end of period.	16-17 72-73	G	<input checked="" type="checkbox"/>	CA / CC
PUBLIC SECTOR						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EC-08	Total sum of taxes of all types paid broken down by country.	68 70-73	G	<input checked="" type="checkbox"/>	CA
C	EC-09	Subsidies received broken down by country or region.	91, 232	TID / TdE	<input checked="" type="checkbox"/>	SI
C	EC-10	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group.	6-7, 15 238	G	<input checked="" type="checkbox"/>	SI / AT / PA
Q	EC-12	Total spent on non-core business infrastructure development.	238-245	FT	<input checked="" type="checkbox"/>	IP
INDIRECT ECONOMIC IMPACTS						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	EC-13	The organisation's indirect economic impacts. Identify major externalities associated with the reporting organisation's products and services.	76-77	G	<input checked="" type="checkbox"/>	SI
ENVIRONMENTAL PERFORMANCE INDICATORS						
MATERIALS						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EN-01	Total materials use other than water, by type.	280-283	G	<input checked="" type="checkbox"/>	FE
C	EN-02	Percentage of materials used that are wastes from sources external to the reporting organisation.	281	G	<input checked="" type="checkbox"/>	FE



ENERGY						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EN-03	Direct energy use segmented by primary source.	271-273 277	G	<input checked="" type="checkbox"/>	FE
C	EN-04	Indirect energy use.	273, 278	G	<input checked="" type="checkbox"/>	CC
Q	EN-17	Initiatives to use renewable energy sources and to increase energy efficiency.	6-7 274-276	G	<input checked="" type="checkbox"/>	SI / FE
C	EN-18	Energy consumption footprint.	NA	NA	NA	NA
C	EN-19	Other indirect energy use and implications.	ND	ND	ND	ND
WATER						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EN-05	Total water use.	284	G	<input checked="" type="checkbox"/>	FE
Q	EN-20	Water sources and related ecosystems/habitats significantly affected by use of water.	NA	NA	NA	NA
C	EN-21	Annual withdrawals of ground and surface water as a percent of annual renewable quantity of water available from the sources.	NA	NA	NA	NA
C	EN-22	Total recycling and reuse of water.	NA	NA	NA	NA
BIODIVERSITY						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EN-06	Location and size of land owned, leased, or managed in biodiversity-rich habitats.	265	TMV	<input checked="" type="checkbox"/>	CC
Q	EN-07	Description of the major impacts on biodiversity.	6-7 265-267	G	<input checked="" type="checkbox"/>	SI / FE
C	EN-23	Total amount of land owned, leased, or managed for production activities or extractive use.	NA	NA	NA	NA
C	EN-24	Amount of impermeable surface as a percentage of land purchased or leased.	NA	NA	NA	NA
Q	EN-25	Impacts of activities and operations on protected and sensitive areas.	265-267	TMV	<input checked="" type="checkbox"/>	SI / FE
Q	EN-26	Changes to natural habitats resulting from activities and operations and percentage of habitat protected or restored.	NA	NA	NA	NA
Q	EN-27	Objectives, programmes, and targets for protecting and restoring native ecosystems and species in degraded areas.	NA	NA	NA	NA
C	EN-28	Number of IUCN Red List species with habitats in areas affected by operations.	ND	ND	ND	ND
Q	EN-29	Business units currently operating or planning operations in or around protected or sensitive areas.	265	TMV	<input checked="" type="checkbox"/>	SI / FE
EMISSIONS, EFFLUENTS AND WASTE						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EN-08	Greenhouse gas emissions.	277-279	G	<input checked="" type="checkbox"/>	CC
Q	EN-09	Use and emissions of ozone-depleting substances.	277	G	<input checked="" type="checkbox"/>	SI
C	EN-10	NOx, SOx, and other significant air emissions by type.	279	G	<input checked="" type="checkbox"/>	CC
C	EN-11	Total amount of waste by type and destination.	268-270	G	<input checked="" type="checkbox"/>	FE
Q	EN-12	Significant discharges to water by type.	NA	NA	NA	NA
C	EN-13	Significant spills of chemicals, oils, and fuels in terms of total number and total volume.	267	G	<input checked="" type="checkbox"/>	SI / FE
C	EN-30	Other relevant indirect greenhouse gas emissions.	277	G	<input checked="" type="checkbox"/>	CC
C	EN-31	All production, transport, import, or export of any waste deemed "hazardous".	ND	ND	ND	ND
Q	EN-32	Water sources and related ecosystems/habitats significantly affected by discharges of water and runoff.	NA	NA	NA	NA



SUPPLIERS						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	EN-33	Performance of suppliers relative to environmental components.	259, 301	G	<input checked="" type="checkbox"/>	PP / SI / FE
PRODUCTS Y SERVICES						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	EN-14	Significant environmental impacts of principal products and services.	265-289	G	<input checked="" type="checkbox"/>	SI / FE
C	EN-15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life.	NA	NA	NA	NA
COMPLIANCE						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	EN-16	Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues.	266	TdE TelesP	G	SI / AJ
TRANSPORT						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	EN-34	Significant environmental impacts of transportation used for logistical purposes.	NA	NA	NA	NA
OVERALL						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	EN-35	Total environmental expenditures by type.	ND	ND	ND	ND
SOCIAL PERFORMANCE INDICATORS: LABOUR PRACTICES AND DECENT WORK						
EMPLOYMENT						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	LA-01	Breakdown of workforce, where possible, by region/country, status, employment type, and by employment contract.	180-181	G	<input checked="" type="checkbox"/>	FE
C	LA-02	Net employment creation and average turnover segmented by region/country.	70-71 182	G	<input checked="" type="checkbox"/>	FE
Q	LA-12	Employee benefits beyond those legally mandated.	6-7 188-193	G	<input checked="" type="checkbox"/>	PP / FE
LABOUR / MANAGEMENT RELATIONS						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	LA-03	Percentage of employees represented by independent trade union organisations.	202-205	G	<input checked="" type="checkbox"/>	FE
Q	LA-04	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations.	187, 200 202-205	G	<input checked="" type="checkbox"/>	PP / FE
Q	LA-13	Provision for formal worker representation in decision-making or management, including corporate governance.	NA	NA	NA	NA



HEALTH AND SAFETY						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	LA-05	Practices on recording and notification of occupational accidents and diseases.	212	GE	<input checked="" type="checkbox"/>	PP
Q	LA-06	Description of formal joint health and safety committees comprising management and worker representatives.	212-213 217-218	G	<input checked="" type="checkbox"/>	PP / FE
C	LA-07	Standard injury, lost day, and absentee rates and number of work-related fatalities.	212	GE (1)	<input checked="" type="checkbox"/>	FE
Q	LA-08	Description of policies or programmes (for the work place and beyond) on HIV/AIDS.	216, 217	GE	<input checked="" type="checkbox"/>	PP
Q	LA-14	Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management Systems.	211-218	G	<input checked="" type="checkbox"/>	PP
Q	LA-15	Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements.	200 202-205	G	<input checked="" type="checkbox"/>	PP / FE
TRAINING AND EDUCATION						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	LA-09	Average hours of training per year per employee by category of employee.	194-196	G	<input checked="" type="checkbox"/>	SI / FE
Q	LA-16	Description of programmes to support the continued employability of employees and to manage career endings.	180 182-183 203	TdE (2)	<input checked="" type="checkbox"/>	FE
Q	LA-17	Specific policies and programmes for skills management or for lifelong learning.	197-199	G	<input checked="" type="checkbox"/>	PP / SI
DIVERSITY AND OPPORTUNITY						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	LA-10	Description of equal opportunity policies or programmes.	209-210	G	<input checked="" type="checkbox"/>	PM / CE
C	LA-11	Composition of senior management and corporate governance bodies.	209	G	<input checked="" type="checkbox"/>	FE
SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS						
STRATEGY AND MANAGEMENT						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	HR-01	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	52-55 200-201	G	<input checked="" type="checkbox"/>	PM / CE
Q	HR-02	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors.	300-301	G	<input checked="" type="checkbox"/>	PP / PM / CE
Q	HR-03	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.	52-55 300-301	G	<input checked="" type="checkbox"/>	PP
Q	HR-08	Employee training on policies and practices concerning all aspects of human rights.	ND	ND	ND	ND
NON-DISCRIMINATION						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	HR-04	Description of global policy and procedures/programmes preventing all forms of discrimination in operations.	209-210	G	<input checked="" type="checkbox"/>	PM / CE



FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	HR-05	Description of freedom of association policy and extent to which this policy is universally applied.	202-204	G	<input checked="" type="checkbox"/>	PM / CE / FE
CHILD LABOUR						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	HR-06	Description of policy excluding child labour.	208 242-243	G	<input checked="" type="checkbox"/>	PM / CE / FE
FORCED AND COMPULSORY LABOUR						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	HR-07	Description of policy to prevent forced and compulsory labour.	206-207	G	<input checked="" type="checkbox"/>	PM / CE
DISCIPLINARY PRACTICES						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	HR-09	Description of appeal practices, including, but not limited to, human rights issues.	ND	ND	ND	ND
Q	HR-10	Description of non-retaliation policy and effective, confidential employee grievance system.	55	TMV	<input checked="" type="checkbox"/>	SI
Q	HR-11	Human rights training for security personnel.	201	G	<input checked="" type="checkbox"/>	PP
Q	HR-12	Description of policies, guidelines, and procedures to address the needs of indigenous people.	ND	ND	ND	ND
Q	HR-13	Description of jointly managed community grievance mechanisms/authority.	ND	ND	ND	ND
C	HR-14	Share of operating revenues from the area of operations that are redistributed to local communities.	72-73	G (3)	<input checked="" type="checkbox"/>	CC
SOCIAL PERFORMANCE INDICATORS: SOCIETY						
COMMUNITY						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	SO-01	Description of policies to manage impacts on communities.	110 137-141 146	G	<input checked="" type="checkbox"/>	PP / SI / FE
Q	SO-04	Awards received relevant to social, ethical, and environmental performance.	46-47	G	<input checked="" type="checkbox"/>	FE
BRIBERY AND CORRUPTION						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	SO-02	Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption.	54-55	G	<input checked="" type="checkbox"/>	PP / CE
POLITICAL CONTRIBUTIONS						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	SO-03	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions.	54-55	G	<input checked="" type="checkbox"/>	PP
C	SO-05	Amount of money paid to political parties and institutions.	NA	NA	NA	NA



COMPETITION AND PRICING						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	SO-06	Court decisions regarding cases pertaining to anti-trust and monopoly regulations.	154-156 158-165	G	<input checked="" type="checkbox"/>	AJ
Q	SO-07	Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour.	154, 162	G	<input checked="" type="checkbox"/>	PP / CO

SOCIAL PERFORMANCE INDICATORS: PRODUCT RESPONSIBILITY						
CUSTOMER HEALTH AND SAFETY						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	PR-01	Description of policy for preserving customer health and safety during use of products and services.	136-147	G	<input checked="" type="checkbox"/>	PP / SI / IP / FE
Q	PR-04	Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches.	143-144	G	<input checked="" type="checkbox"/>	AJ / FE
C	PR-05	Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services.	143-144	G	<input checked="" type="checkbox"/>	AJ / FE
Q	PR-06	Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received.	NA	NA	NA	NA
PRODUCTS AND SERVICES						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	PR-02	Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling.	137-141 146-147	G	<input checked="" type="checkbox"/>	PP / IP / SI
Q	PR-07	Number and type of instances of non-compliance with regulations concerning product information and labelling, including any penalties or fines assessed for these breaches.	114	TMV	<input checked="" type="checkbox"/>	AJ
Q	PR-08	Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction.	106-109 126-129	G salvo TME G	<input checked="" type="checkbox"/>	PP / SI
RESPECT FOR PRIVACY						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	PR-03	Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy.	136-144	G	<input checked="" type="checkbox"/>	PP / SI
C	PR-11	Number of substantiated complaints regarding breaches of consumer privacy.	143-144	G	<input checked="" type="checkbox"/>	AJ / FE
ADVERTISING						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	PR-09	Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising.	114	G	<input checked="" type="checkbox"/>	PP
C	PR-10	Number and types of breaches of advertising and marketing regulations.	114	TMV	<input checked="" type="checkbox"/>	AJ


GRI INDICATORS TELECOMMUNICATIONS SECTOR

INTERNAL OPERATIONS						
INVESTMENT						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
C	IO-01	Capital investment in telecommunication network infrastructure broken down by country/region.	72-73 232-233	G (4)	<input checked="" type="checkbox"/>	CA / IP
C	IO-02	Net costs for service providers under the Universal Service.	231	G	<input checked="" type="checkbox"/>	CA / CC
HEALTH AND SAFETY						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	IO-03	Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant.	215-216	TdE TME	<input checked="" type="checkbox"/>	PP
Q	IO-04	Compliance with ICNIRP standards on exposure to radiofrequency (RF) emissions from handsets.	NA	NA	NA	NA
Q	IO-05	Compliance with ICNIRP guidelines on exposure to radiofrequency (RF) emissions from base stations.	261-262	G	<input checked="" type="checkbox"/>	SI / FE
Q	IO-06	Policies and practices with respect to Specific Absorption Rate (SAR) of handsets.	NA	NA	NA	NA
INFRASTRUCTURE						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	IO-07	Policies and practices on the siting of masts and transmission sites including stakeholder consultation, site sharing, and initiatives to reduce visual impacts. Describe approach to evaluate consultations and quantify where possible.	263-267	G	<input checked="" type="checkbox"/>	SI
C	IO-08	Number and percentage of stand-alone sites, shared sites, and sites on existing structures.	263-267	G	<input checked="" type="checkbox"/>	SI
PROVIDING ACCESS						
ACCESS TO TELECOMMUNICATION PRODUCTS AND SERVICES: BRIDGING THE DIGITAL DIVIDE I						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	PA-01	Policies and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas.	231-233	G (5)	<input checked="" type="checkbox"/>	IP
Q	PA-02	Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age.	236-237 246-249	G	<input checked="" type="checkbox"/>	FE
Q	PA-03	Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time.	118-123 134-135	G	<input checked="" type="checkbox"/>	PP / SI / CO
C	PA-04	Quantify the level of availability of telecommunications products and services in areas where the organisation operates.	120-128	TdE	<input checked="" type="checkbox"/>	SI
C	PA-05	Number and types of telecommunication products and services provided to and used by low and no income sectors of the population.	234-235	G	<input checked="" type="checkbox"/>	SI / FE
Q	PA-06	Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief.	ND	ND	ND	ND



ACCESS TO CONTENT						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	PA-07	Policies and practices to manage human rights issues relating to access and use of telecommunications products and services.	145-147	G	<input checked="" type="checkbox"/>	PP / SI
CUSTOMER RELATIONS						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	PA-08	Policies and practices to publicly communicate on EMF related issues.	263-267	G	<input checked="" type="checkbox"/>	SI / IP / FE
C	PA-09	Total amount invested in programmes and activities in electromagnetic field research.	ND	ND	ND	ND
Q	PA-10	Initiatives to ensure clarity of charges and tariffs.	124-125	G	<input checked="" type="checkbox"/>	IP / CO
Q	PA-11	Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective, and environmentally preferable use.	149 263-264 286-289	G	<input checked="" type="checkbox"/>	SI / IP / FE
TECHNOLOGY APPLICATIONS						
RESOURCE EFFICIENCY						
Ind Type	GRI	Description	Pages	Information Scope	Verification Scope	Verification Procedure
Q	TA-01	Provide examples of the resource efficiency of telecommunication products and services delivered.	286-288	G	<input checked="" type="checkbox"/>	SI / FE
Q	TA-02	Provide examples of telecommunication products, services and applications that have the potential to replace physical objects.	286-288	G	<input checked="" type="checkbox"/>	SI / FE
Q	TA-03	Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above.	289	G	<input checked="" type="checkbox"/>	SI
Q	TA-04	Disclose any estimates of the rebound effect (indirect consequences) of customer use of the products and services listed above, and lessons learned for future development.	ND	ND	ND	ND
Q	TA-05	Description of practices relating to intellectual property rights and open source technologies.	137	G	<input checked="" type="checkbox"/>	PP / SI

- (1) Data on accidents is only provided for Spain.
- (2) No information is provided regarding procedures for continued employability of employees.
- (3) The information included in the CR Report includes global redistribution according to stakeholders and not local communities.
- (4) The quantitative information is provided in a global manner and not broken down by country or region.
- (5) The CR Report includes information on actions taken but not on policies.



VERIFICATION PROCEDURE PERFORMED

CA	Verification with the audited Consolidated Annual Accounts and Management Report of Telefónica, S.A. for 2005.
AT	Verification with the audited Consolidated Annual Accounts and Management Report of the Asociación de Telefónica para el Apoyo a las Personas con Discapacidad (ATAM) for 2005.
PA	Verification, for a sample, of the approval of sponsorships.
CE	Contrasted with the Code of Ethics for the Telefónica Group approved in 2005.
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, among others, press releases, access to non-Company Internet pages, invoices, payroll slips, contracts.
SI	Verification of adequate gathering of information reported with internal information systems and/or contrast the qualitative information with supporting documentation provided by the areas or companies in charge.
IP	Quantitative and qualitative data contrasted with public information reported by the Telefónica Group to markets or on Company Internet pages.
PP	Verification that Internal Regulations, Systems and Procedures exist.
CC	Verification of the calculations performed following the methodology applied by the Telefónica Group.
AI	Conformity with the communication/documentation received from the Assistant General Director for Corporate Intervention, Inspection and Internal Audit.
AJ	Conformity with the information received from each country's legal services.
CO	Contrasted with notifications made to the corresponding official public bodies.
PM	Verification of membership in the Global Compact.
NA	Verification of the reasonability of the criteria used to classify as "not applicable" to the activities performed by Telefónica.
ND	Indicators applicable to Telefónica activities for which information is unavailable or unreported.

SCOPE OF REPORTED INFORMATION

G	Grupo Telefónica
GE	Grupo Telefónica en España
TMV	Grupo Telefónica Móviles
TdE	Telefónica de España
TME	Telefónica Móviles de España
TID	Telefónica Investigación y Desarrollo
TelesP	Telefónica de Brasil (Wire lines)
FT	Fundación Telefónica

SCOPE OF VERIFICATION

<input checked="" type="checkbox"/>	Verification, through a selection of samples, of information contained in the CR Report according to "Information Scope".
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Credits

Departments that collaborated in the preparation of the report

Capítulo	Áreas implicadas
01 Corporate Governance	Secretariat General / Internal Auditing Department
02 Identity	Communication (Brand, Reputation and CSR) / Human Resources Office / Sponsorship / Internal Auditing Department
03 Driving Force for Progress	Finance (Consolidation, Management Control), Tax, Regulatory Affairs, Innovation, Telefónica I+D, Institutional Relations, Information Systems, Investor Relations
04 Customers	Corporate Marketing Development / Quality, marketing and customer service departments of the main business lines (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica) / Secretariat General / Communication / Security
05 Shareholders	Shareholders' Office / Investor Relations / Secretariat General
06 Employees	Corporate Human Resources / Human Resources Departments of the main lines of business (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica, TPI, Terra, Atento, T-Gestiona) / Communication / Health and Safety / Fundación Telefónica / ATAM / Fonditel
07 Society	Main lines of business (Telefónica de España, Telefónica Latinoamérica, Telefónica Móviles) / Institutional Relations / Management Control / Regulatory Affairs / Reputation and Corporate Social Responsibility / Fundación Telefónica / ATAM / Sponsorship
08 Environment	Internal Auditing / Reputation and Corporate Social Responsibility / Environmental Departments of the main lines of business (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica)
09 Suppliers	Purchasing / Internal Auditing / Reputation and Corporate Responsibility
10 Media	Communication
Annex 1: About the Report	Reputation and Corporate Responsibility
Annex 2: Verification Report	Ernst&Young. Report
Coordination	Reputation, Brand and Corporate Social Responsibility (G.D. of Communication)

