

B. Structure of Corporate Administration

B.1. Board of Directors

B.1.1. Detail the maximum and minimum number of directorships established under the articles of association:

Maximum number of Directors

20

Minimum number of Directors

5

B.1.2. Fill in the following table with the Board members and their details

Name or corporate name of director	Repre- sented by	Post	Date of first appointment	Date of last appointment	Election procedure
Mr. César Alierta Izuel	–	Chairman	29-10-1997	12-04-2002	Cooptation with Subsequent Ratification by the General Shareholders' Meeting
Mr. Isidro Fainé Casas	–	Vice Chairman	26-01-1994	15-06-2001	Cooptation with Subsequent Ratification by the General Shareholders' Meeting
Mr. Gregorio Villalabeitia Galarra	–	Vice Chairman	27-02-2002	12-04-2002	Cooptation with Subsequent Ratification by the General Shareholders' Meeting
Mr. Fernando de Almansa Moreno-Barreda	–	Director	26-02-2003	11-04-2003	Cooptation with Subsequent Ratification by the General Shareholders' Meeting
Mr. Maximo Carpio García	–	Director	29-01-1997	12-04-2002	Cooptation with Subsequent Ratification by the General Shareholders' Meeting
Mr. Carlos Colomer Casellas	–	Director	28-03-2001	15-05-2001	Cooptation with Subsequent Ratification by the General Shareholders' Meeting
Mr. Alfonso Ferrari Herrero	–	Director	28-03-2001	15-06-2001	Cooptation with Subsequent Ratification by the General Shareholders' Meeting
Mr. Gonzalo Hinojosa Fernández de Angulo	–	Director	12-04-2002	12-04-2002	General Shareholders' Meeting
Mr. Miguel Horta e Costa	–	Director	17-03-1998	11-04-2003	General Shareholders' Meeting
Mr. Pablo Isla Álvarez de Tejera	–	Director	12-04-2002	12-04-2002	General Shareholders' Meeting
Mr. Luis Lada Díaz	–	Director	10-08-2000	15-06-2001	Cooptation with Subsequent Ratification by the General Shareholders' Meeting
Mr. Julio Linares López	–	Director	21-12-2005	21-12-2005	Cooptation
Mr. Antonio Massanell Lavilla	–	Director	21-04-1995	15-06-2001	General Shareholders' Meeting
Mr. Vitalino Manuel Nafria Aznar	–	Director	21-12-2005	21-12-2005	Cooptation
Mr. Enrique Used Aznar	–	Director	12-04-2002	12-04-2002	General Shareholders' Meeting
Mr. Mario Eduardo Vázquez	–	Director	20-12-2000	15-06-2001	Cooptation with Subsequent Ratification by the General Shareholders' Meeting
Mr. Antonio Viana-Baptista	–	Director	12-01-2000	31-05-2005	Cooptation with Subsequent Ratification by the General Shareholders' Meeting

Total number of Directors

17

Indicate any members leaving the Board during this period:

Name or corporate name of director	Date of leaving
Mr. José Fonollosa García	29-06-2005
Mr. Antonio J. Alonso Ureba	28-09-2005
Mr. José Antonio Fernández Rivero	21-12-2005
Mr. Jesús María Cadenato Matía	21-12-2005

B.1.3. Fill in the following table on the Board members and their different directorships:

EXECUTIVE DIRECTORS

Name or corporate name of director	Commission proposing appointment	Post within the company organisation
Mr. César Alierta Izuel	Nominating, Compensation, and Corporate Governance Committee	Chairman of Telefonica
Mr. Luis Lada Díaz	Nominating, Compensation, and Corporate Governance Committee	Director. Chairman of Telefónica de España
Mr. Julio Linares López	Nominating, Compensation, and Corporate Governance Committee	General Manager of Development and Coordination of the Business and Synergies
Mr. Mario Eduardo Vázquez	Nominating, Compensation, and Corporate Governance Committee	Director
Mr. Antonio Viana-Baptista	Nominating, Compensation, and Corporate Governance Committee	Director. Chairman of Telefónica Móviles

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Commission proposing appointment	Name or corporate name of the significant shareholder represented or who proposed the appointment
Mr. Isidro Fainé Casas	Nominating, Compensation, and Corporate Governance Committee	Caja de Ahorros y Pensiones de Barcelona, "La Caixa"
Mr. Antonio Massanell Lavilla	Nominating, Compensation, and Corporate Governance Committee	Caja de Ahorros y Pensiones de Barcelona, "La Caixa"
Mr. Gregorio Villalabeitia Galarraga	Nominating, Compensation, and Corporate Governance Committee	Banco Bilbao Vizcaya Argentaria, S.A.
Mr. Vitalino Manuel Nafria Aznar	Nominating, Compensation, and Corporate Governance Committee	Banco Bilbao Vizcaya Argentaria, S.A.

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director	Commission proposing appointment	Profile
Mr. Fernando de Almansa Moreno-Barreda	Nominating, Compensation, and Corporate Governance Committee	Holder of Law Degree, on Leave from the Diplomatic Corps. Formerly Head of Staff at the Home of his Majesty King Juan Carlos I.
Mr. Maximo Carpio García	Nominating, Compensation, and Corporate Governance Committee	Doctor in Economics. Professor of Applied Economics at the Universidad Autónoma de Madrid.
Mr. Carlos Colomer Casellas	Nominating, Compensation, and Corporate Governance Committee	Holder of an Economics Degree. Chairman of the Colomer Group.
Mr. Alfonso Ferrari Herrero	Nominating, Compensation, and Corporate Governance Committee	Holder of Economics Degree. Formerly Executive Chairman of Beta Capital, S.A. and Senior Manager at Banco Urquijo.
Mr. Gonzalo Hinojosa Fernández de Angulo	Nominating, Compensation, and Corporate Governance Committee	Industrial Engineer. Director of Altadis, S.A.
Mr. Miguel Horta e Costa	Nominating, Compensation, and Corporate Governance Committee	Holder of Economics Degree. Chairman of Portugal Telecom, Sgps, S.A.
Mr. Pablo Isla Álvarez de Tejera	Nominating, Compensation, and Corporate Governance Committee	Holder of Law Degree. State Lawyer. Vice Chairman and CEO of Inditex, S.A.
Mr. Enrique Used Aznar	Nominating, Compensation, and Corporate Governance Committee	Telecommunications Engineer. Chairman of Amper, S.A.

OTHER EXTERNAL DIRECTORS

Name or corporate name of director	Committee proposing appointment
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List the reasons why they cannot be considered independent or proprietary:

Indicate any variations that have occurred in the type of each director:

Name or corporate name of director	Date of change	Previous type	Current type
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B.1.4. Indicate whether the types of directors set out in the previous point corresponds to the distribution established in the Board Regulations:

When considering the present composition of the Board of Directors and the principles governing the same – established in the Board of Directors Regulations, second title, – the current composition is in accordance with the aforementioned Regulations and with the established guidelines of Corporate Governance. The Board is comprised of a significant number of independent Directors (eight), and the external Directors (including Proprietary and Independents) are in majority over executive Directors (twelve vs. five). Furthermore, there is a majority of independent Directors over proprietary Directors (eight vs. four) on the Board.

B.1.5. Indicate, if the case may be, any powers delegated to the Managing Director(s):

Name or corporate name of director	Brief description
Mr. César Alierta Izuel	At the date of preparation of the present report, the position of Managing Director does not exist. However, the Executive Chairman has been delegated all the powers of the Board of Directors, except those which may not be delegated by law or under the Articles of Association.

B.1.6. Identify any board members in senior management or directive posts in other companies forming part of the listed company:

Name or corporate name of director	Corporate name of the group company	Post
Mr. Gregorio Villalabeitia Galarraga	Telefónica Internacional, S.A.U.	Director
Mr. Fernando de Almansa Moreno-Barreda	Telefónica Internacional, S.A.U. Telefónica Móviles, S.A. Telefónica de Argentina, S.A. Telefónica del Perú, S.A.A. Telecomunicações de Sao Paolo, S.A.	Director Director Director Director Director
Mr. Maximino Carpio García	Telefónica Móviles, S.A.	Director
Mr. Alfonso Ferrari Herrero	Telefónica Internacional, S.A.U. Compañía de Telecomunicaciones de Chile, S.A. Telefónica del Perú, S.A.A.	Director Director Director
Mr. Gonzalo Hinojosa Fernández de Angulo	Telefónica Internacional S.A.U.	Director
Mr. Luis Lada Díaz	Telefónica de España S.A.U. Telefónica Móviles, S.A. Telefónica Internacional S.A.U. Cesky Telecom. a.s.	Chairman Director Director Vice President of the Supervisory Board of Directors
Mr. Julio Linares López	Telefónica de España, S.A.U. Telefónica Data España, S.A.U. Telefónica DataCorp, S.A. Teleinformática y Comunicaciones S.A.U. Cesky Telecom, a.s	Director Director Director Chairman Chairman
Mr. Antonio Massanell Lavilla	Telefónica Móviles, S.A.	Director
Mr. Enrique Used Aznar	Telefónica Internacional, S.A.U. Telecomunicações de Sao Paolo, S.A. Telefónica del Perú, S.A.A	Director Director Director
Mr. Mario Eduardo Vázquez	Telefónica Internacional, S.A.U. Telefónica de Argentina, S.A. Telefónica Holding de Argentina, S.A. Compañía Internacional de Telecomunicaciones, S.A. Telefónica Móviles de Argentina, S.A. Telefónica Comunicaciones Personales, S.A. Radio Servicios, S.A. Telinver, S.A. Telefónica Data Argentina, S.A. Terra Networks Argentina, S.A.	Director Chairman Vice President Vice President Chairman Director Titular Director Titular Chairman Chairman Vice President
Mr. Antonio Viana-Baptista	Telefónica Internacional, S.A.U. Telefónica de España, S.A.U. Telefónica Móviles, S.A. Telefónica Móviles España, S.A.U. Brasilcel, N.V. Cesky Telecom, a.s	Director Director Chairman Chairman Director Member of the Supervisory Board of Directors

B.1.7. List any company board members who are also members of the board(s) of directors in other companies listed on official securities markets in Spain, other than your own group, that have been reported to the company:

Name or corporate name of director	Listed company	Post
Mr. César Alierta Izuel	Altadis, S.A.	Director
Mr. Isidro Fainé Casas	Abertis Infraestructuras, S.A.	Chairman
Mr. Gregorio Villalabeitia Galarraga	Iberia Líneas Aéreas de España, S.A.	Director
Mr. Carlos Colomer Casellas	Altadis, S.A.	Director
	Indo Internacional, S.A.	Vice Chairman
	Ahorro Bursátil, S.A. SICAV	Chairman
	Inversiones Inmobiliarias Urquiola, S.A. SICAV	Chairman
Mr. Gonzalo Hinojosa Fernández de Angulo	Altadis, S.A.	Director
	Cortefiel, S.A.	Executive Chairman
Mr. Pablo Isla Álvarez de Tejera	Inditex, S.A.	Executive Chairman
Mr. Luis Lada Díaz	Sogetel, S.A.	Director
Mr. Enrique Used Aznar	Amper, S.A.	Chairman

B.1.8. Fill in the following tables regarding the accrued aggregate remuneration of Directors during the year:

a) in the company subject to this report:

Remuneration from	Thousand euros
Fixed remuneration	6,268
Variable remuneration	3,147
Allowances	210
Token payments	0
Share options and/or other financial instruments	0
Others	3,677
Total	13,302

Other benefits	Thousand euros
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	39
Pension Plans and Funds: Obligations contracted	0
Life insurance premiums	102
Guarantees constituted by the company in favour of directors	0

b) for directors belonging to other boards of directors and/or senior management of group companies:

Remuneration from	Thousand euros
Fixed remuneration	1,883
Variable remuneration	702
Allowances	19
Token payments	0
Share options and/or other financial instruments	0
Others	50
Total	2,654

Other benefits	Thousand euros
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	8
Pension Plans and Funds: Obligations contracted	0
Life insurance premiums	13
Guarantees constituted by the company in favour of directors	0

c) total remuneration by type of directorship:

Type of director	By company	By group
Executive	10,649	1,961
External proprietary	1,229	120
External independent	1,424	573
Other external	0	0
Total	13,302	2,654

d) regarding the attributable profit of the controlling company:

Total directors' remuneration	15,956
Total directors' remuneration / attributable profit of the controlling company	0.359

B.1.9. Identify the members of senior management who are not executive directors and indicate total remuneration accruing to them during the year:

Name or corporate name	Post
Mr. Luis Abril Pérez	General Manager of Corporate Communication
Mr. José María Álvarez-Pallete López	Chairman of Telefónica Internacional, S.A.U.
Mr. Santiago Fernández Valbuena	General Manager of Finance and Shared Resources
Mr. Guillermo Fernández Vidal	General Manager
Mr. Javier Nadal Ariño	General Manager of Institutional Relationships and the Telefonica Foundation
Mr. Calixto Ríos Pérez	General Manager of Auditing
Mr. Juan Carlos Ros Brugueras	General Manager of the Legal Services
Mr. Ramiro Sánchez de Lerín García-Ovies	General Counsel and Secretary to the Board of Directors of Telefónica

Total remuneration of senior management	(thousand euros)
	7,715

B.1.10. Identify in aggregate terms any guarantees or "golden parachute" clauses benefiting senior managers (including executive directors) of the company or its group. Indicate whether these contracts must be reported to and/or approved by the governing bodies of the company or its group

Number of beneficiaries	12	
	Board of Directors	General Shareholders' Meeting
Body authorising the clauses	X	
	YES	NO
Is the General Shareholders' Meeting informed of these clauses?	X	

B.1.11. Indicate the process for establishing board members' remuneration and any relevant clauses in the Articles of Association regarding such payment

In accordance with Article 28 of the Articles of Association, Directors' remuneration shall be comprised of a fixed monthly allowance plus expenses for attending meetings of the Board of Directors and its management or consultative Committees. Any remuneration the Company may pay its Directors collectively under either of the foregoing headings shall be that set for that purpose by the General Shareholders' Meeting, and shall remain in force until this body resolves that it be changed. The Board of Directors shall determine the exact amount to be paid within that ceiling and how it is divided amongst the various Directors. To this effect, the General Shareholders' Meeting held on April 11th 2003 fixed the maximum gross annual sum for remuneration to the Board of Directors at 6 million euros.

Additionally, apart from such remuneration as is provided for under the previous section and applicable for all directors, other remuneration systems may be created that may either be indexed to the list value of the shares, or consist of stock or of stock options for the Directors. The application of said remuneration systems must be authorised by the General Shareholders' Meeting, which shall fix the stock value that is to be taken as the term of reference thereof, the number of shares to be given to each Director, the exercise price of the stock options, the term of such remuneration system and such other terms and conditions as deemed appropriate.

At this moment, there is no remuneration system in existence at Telefónica indexed to the list value of shares or that entails the handover of stock or stock options to Directors.

The remuneration systems set out in the preceding paragraphs, arising from membership in the Board of Directors, shall be deemed compatible with any and all other professional or work-based compensations to which the Directors may be entitled in consideration for whatever executive or advisory services they may provide for the Company other than such supervisory and decision-making duties as may pertain to their posts as Directors, which shall be subject to the applicable legal provisions.

Pursuant to Article 38 of the Regulations of the Board of Directors, Directors shall be entitled to obtain the remuneration set by the Board of Directors according to statutory provisions and following a report issued by the Nominating, Compensation and Corporate Governance Committee. In this regard, and in accordance with the above-mentioned Article 38, with respect to Article 25 of the same regulations, it is incumbent upon the Nominating, Compensation and Corporate Governance Committee of the Board of Directors to report and propose to the Board the compensation system for Directors and to review such compensation from time to time to ensure that it is commensurate (the Board shall endeavour to ensure that the remuneration of Directors is in keeping with that paid in the market at companies of similar size and activity) with the services rendered by them. In addition, and pursuant to Article 28.4 of the Articles of Association of Telefónica, S.A., the Annual Report sets out the individual remuneration paid for each post and position on the Board and its Committees (Chairman, Vice-Chairman and Member).

The remuneration paid to executive Directors for their executive functions at the Company is set out in aggregate form, broken down into the various remunerative items or concepts.

B.1.12. Indicate the identity of any board members who sit on board(s) of directors or hold senior management posts in companies having significant shareholdings in the listed company and/or its group companies:

Name or corporate name of director	Name or corporate name of the significant shareholder	Post
Mr. Isidro Fainé Casas	Caja de Ahorros y Pensiones de Barcelona, "La Caixa" Caixa Holding, S.A., Sociedad Unipersonal Hodefi, S.A.S. Caixabank France	General Manager Director Chairman Director
Mr. Fernando de Almansa Moreno-Barreda	Banco Bilbao Vizcaya Argentaria, S.A.	Director of Bancomer, S.A. and Managing Director of External Services at Apoyo Empresarial, S.A.
Mr. Antonio Massanell Lavilla	Caja de Ahorros y Pensiones de Barcelona, "La Caixa" E-La Caixa, S.A. Caixa Capital Desarrollo, S.C.R.,S.A. Caixa Capital Risc, S.G.E.C.R.,S.A. C3 Caixa Center, S.A. Port Aventura, S.A.	Deputy Executive Director General Executive Chairman Director Director Director
Mr. Vitalino Manuel Nafria Aznar	Banco Bilbao Vizcaya Argentaria, S.A.	Director of the Minority Banking for Spain and Portugal

Detail, if appropriate, any relevant relations other than those indicated in the section above that link members of the board of directors with significant shareholders and/or their group companies:

Name or corporate name of director	Name or corporate name of significant shareholder	Relationship
Mr. Gregorio Villalabeitia Galarraga	Banco Bilbao Vizcaya Argentaria, S.A.	Director General in Early Retirement

B.1.13. Indicate any changes made in the Board Regulations during this year:

No changes were made in fiscal year 2005 to the Regulations of the Board of Directors of Telefónica, S.A. approved by its Board of Directors on March 31, 2004 and registered with the Commercial Registry of Madrid on April 22, 2004, pursuant to the provisions of Law 26/2003 of July 17 (Transparency Law).

B.1.14. Indicate any procedures for appointment, re-election, assessment and removal of Directors. List the competent bodies, the steps to be followed and the criteria to be applied in each of the procedures

Appointment

Telefónica's Articles of Association establish that the Board of Directors shall be composed of a minimum of five and a maximum of twenty members, who shall be appointed by the General Shareholders' Meeting. The Board of Directors may, in accordance with the provisions set out in the Spanish Corporations Law and in the Company Articles of Association, fill vacant positions temporarily by cooption.

To this effect, it is important to note that the appointment of Board members in Telefónica is, as a general rule, submitted for approval by the General Shareholders' Meeting. It is only on certain occasions, when such a measure is essential due to vacancies on the Board

arising after the last GSM, that the Board appoints members by cooption, in keeping with the provisions of the Corporations Law, subject to later ratification by the first subsequent GSM held.

In all other cases, the proposed appointments must follow the procedure set out in the Regulations of the Board of Directors, and must be preceded by the relevant favourable report from the Nominating, Compensation and Corporate Governance Committee, although such report is not binding.

Thus, and in line with the provisions of the Regulations, when exercising its rights of cooption and proposal of appointments to the General Shareholders' Meeting, the Board of Directors shall endeavour to ensure that external or non-executive Directors are in the majority over executive Directors. Likewise, the Board shall ensure that within such majority group of external Directors, there are, on the one hand, Directors proposed by holders of significant, stable stakes in the company share capital (proprietary Directors) and, on the other, professionals of acknowledged prestige who are not linked to the management team nor to the significant shareholders (independent Directors). Similarly, the Board shall endeavour to ensure that the independent Directors comprise a majority over the proprietary Directors.

With respect to the selection of external or non-executive Directors, the choice of candidates should fall upon persons of recognised solvency, competency and experience, who are willing to dedicate a sufficient amount of their time to the Company, and extreme care must be taken as to the choice of the persons called to cover posts as independent Directors.

In reference to the election of the aforementioned independent Directors, the Regulations of the Board of Directors establishes that the Board shall propose or assign persons who fulfil the conditions that ensure their impartiality and objective criteria to cover independent Director posts.

The criteria applied, for the purpose of illustration, include the following:

- a) Not to have, or to have recently had, any direct or indirect labour, commercial, contractual relation of a significant nature with the Company, its management, the proprietary Director or companies in the Group whose shareholding interests they represent, banking institutions with an outstanding position in the Company financing, or organisations that receive significant subsidies from it;
- b) Not to be a Director of another listed company that has proprietary Directors in the Company;
- c) Not to be a close relative of the executive or proprietary Directors or of the Company's executive officers.

Re-election

Directors are appointed for a term of five years and may be re-elected one or more times for periods of the same duration.

Like proposals for appointment, proposals for the re-election of Directors must be preceded by the relevant favourable report issued by the Nominating, Compensation and Corporate Governance Committee, although such report is not binding.

Assessment

In accordance with the Regulations of the Board of Directors, this body evaluates its operation and the quality of its work annually, when the Annual Corporate Governance Report is approved.

Removal

Directors shall cease to hold office when the term for which they were appointed elapses, or when such removal is resolved the General Shareholders' Meeting, in the exercise of the powers granted this body by law.

B.1.15. Indicate under what circumstances directors are obliged to resign

In keeping with Article 15 of the Regulations of the Board, Directors must place their offices at the disposal of the Board of Directors and formalise the relevant resignation in the following cases:

- a) When they reach the age of 70. Directors with executive duties shall cease to serve in such capacity when they reach the age of 65, although they may continue as Directors if the Board so decides.
- b) When they cease to hold the executive positions to which their appointment as Directors is linked, or when the reasons for which they were appointed disappear.
- c) When they incur in any of the cases of incompatibility or barring envisaged by law.
- d) When severely admonished by the Nominating, Compensation and Corporate Governance Committee for having failed to fulfil any of their obligations as Directors.
- e) When their continued presence on the Board may affect the credibility or reputation of the Company in the market, or places the Company's interests at risk in any other way.

B.1.16. Explain whether the duties of chief executive officer fall upon the Chairman of the Board. If so, indicate the measures taken to limit the risk of the accumulation of powers in a single person

Yes

No

Risk-limitation measures

- Pursuant to the provisions of the Regulations of the Board of Directors, the actions of the Chairman must follow the criteria and rules established by the General Shareholders' Meeting, the Board of Directors and the Board Committees at all times.
- Likewise, all agreements or decisions of particular significance for the Company must be previously submitted for the approval of the Board of Directors or the relevant Board Committee, as the case may be.
- Moreover, reports and proposals from the different Board Committees are required for the adoption of certain resolutions.

It is important to emphasise that the Chairman does not hold the casting vote within the Board of Directors.

B.1.17. Are qualified majorities other than those established by law required for certain decisions?

Yes

No

Indicate how the Board of Directors adopts resolutions, including at least the minimum quorum of attendees and the types of majorities required to pass resolutions:

Adoption of resolutions		
Description of resolution	Quorum	Type of majority
All resolutions	Personal or proxy attendance of one half plus one of all the Directors	Majority of votes present or represented, except in the cases in which the law requires the favourable vote of a larger number of Directors and in concrete for (i) the appointment of Directors not holding a minimum of shares representing a nominal value of 300 euros (art. 25 of the Articles of Association) and for (ii) the appointment of Chairman which is explained in the following B.1.18.

B.1.18. Explain if there are other requirements, other than those for Directors, for being appointed Chairman

Yes

No

Description of requirements

- In order for a Director to be appointed as Chairman, he/she must have been a member of the Board for at least three years prior to such appointment. However, the aforementioned seniority is not required when the appointment is effected with the favourable vote of at least 85 percent of the members of the Board of Directors.

B.1.19. Indicate whether the Chairman has the casting vote:

Yes

No

Subjects for which there is a casting vote

B.1.20. Indicate whether the Articles of Association or the Regulations of the Board establish an age limit for Directors:

Yes

No

Age limit for Chairman	65
Age limit for CEO	65
Age limit for Directors	70

B.1.21. Indicate whether the Articles of Association or the Regulations of the Board establish a limit on the term of office of independent Directors

Yes

No

Maximum number of years in office

0

B.1.22. Indicate whether there are any formal processes for proxy voting in the Board of Directors. If so, describe briefly

In accordance with article 21 of the Regulations of the Board of Directors, when Directors cannot attend the Board sessions personally, they shall endeavour that the representation granted in favour of another member of the Board includes, as far as is possible, the relevant instructions. Such proxies may be granted by letter or any other medium that, in the opinion of the Chairman, offers sufficient certainty and validity

B.1.23. Indicate the number of sessions held by the Board of Directors during the year. Likewise, indicate, the number of times, if any, the Board has met in the absence of its Chairman

Number of Board meetings	12
Number of Board meetings held in the absence of its Chairman	0

Indicate the number of Board Committee meetings held during the year:

Number of Executive Committee meetings	19
Number of Nominating, Compensation and Corporate Governance Committee	10
Number of Audit and Control Committee meetings	12
Number of Strategy and Investment Committee meetings	0
Number of Committee meetings	0

B.1.24. Indicate whether the individual and consolidated accounts are certified prior to their presentation to the Board of Directors

Yes No

Identify, if appropriate, the person(s) certifying the individual and consolidated accounts for their formulation by the Board:

Name	Post
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B.1.25. Explain the mechanisms, if any, established by the Board of Directors to avoid presenting the individual and consolidated accounts to the General Shareholders' Meeting with exceptions in the auditor's report

Through the Audit and Control Committee, the Board of Directors plays an essential role supervising the preparation of the Company financial information, controlling and coordinating the various players that participate in this process. With this in view and to achieve this objective, the Audit and Control Committee's work addresses four basic questions:

- (i) to be thoroughly aware of the financial information process and to evaluate the Company's internal accounting control systems;
- (ii) to ensure the independence of the external Accounts Auditor, supervising its work and acting as a channel of communication between the Board of Directors and such

external Accounts Auditors, as well as between the external Accounts Auditors and the Company management team;

- (iii) to supervise the internal audit services; and
- (iv) to oversee the suitability and integrity of the internal financial information control systems.

The Audit and Control Committee verifies both the periodical financial information and the Annual Company Accounts, ensuring that all financial information is drawn up according to the same professional principles and practises. To this effect, the Audit and Control Committee meets whenever appropriate, and held twelve (12) meetings in the course of 2005.

Furthermore, the external Accounts Auditor participates regularly in the Audit and Control Committee meetings, when called to do so by the Committee, to explain and clarify different facets of the audit reports and other aspects of its work. Additionally, and on request from the Committee, other members of the Company management team and that of its subsidiary companies are also called to Committee meetings to explain specific matters that are directly within their scope of competence. In particular, officers in the areas of finance, planning and controlling, as well as those in charge of internal audits, are often convened to participate in these meetings. The members of the Committee have held separate meetings with each of these persons when it has deemed such a measure necessary in closely monitoring the preparation of the Company financial information.

The above notwithstanding, Article 43 of the Regulations of the Board of Directors establishes that the Board of Directors shall ensure it definitively formulates the accounts in such a manner that no exceptions are raised by the Accounts Auditor. However, when the Board considers it must maintain its criteria, it shall publicly explain the content and scope of the discrepancies.

B.1.26. List the measures adopted to ensure that information disclosed to the securities markets is transmitted equitably and symmetrically

The new legal requirements applicable to Telefónica, both in Spanish and certain foreign legislation due to the Company's listing on other markets, and recent advances in corporate governance, have made it necessary for the Company to adopt specific regulations governing the basic principles of operation in the processes and control systems for the disclosure of information. As a sign of this commitment to the markets, at its session held on 26th March 2003, the Board of Directors of Telefónica adopted the "Regulations for Reporting Information to the Markets".

As established in these Regulations and in keeping with the provisions of Article 82.2 of the Securities Market Law, the Company reports all relevant information immediately to the markets, through reports to the National Securities Market Commission. Likewise, the Company sends each and every communication registered with the National Securities Market Commission to all the markets where its securities are listed. In accordance with the express provisions of these Regulations, all relevant information is reported to the National Securities Market Commission prior to its disclosure to any other media, thus guaranteeing the generalised and symmetrical diffusion of such information.

Reports of relevant information are issued in accordance with the terms and form required by each of the regulations governing the markets where its securities are listed, which includes the use of electronic systems for the registration of information when necessary.

Likewise, the Company posts all the reports on relevant information filed with the National Securities Market Commission on its website, in keeping with the applicable regulations to this effect.

Furthermore, Telefónica files all relevant information that may be contained in specific presentations prepared by the Company for registration with the National Securities Market Commission, and even files the complete content of such presentations when deemed appropriate.

In addition, through the Investor Relations Department, the Company posts all the presentations made at fixed or variable income sector forums and conferences, and those drawn up for certain financial institutions on its website in the section on information for shareholders and investors. On certain occasions, such as when reporting Company results or in the case of relevant strategic transactions or decisions, it organises conference calls that may be followed either by telephone or through the Internet (webcast), thus ensuring universal access to the information in real time. Previously, the Company sends to the “Comisión Nacional del Mercado de Valores” a communication announcing the date and time of the aforementioned conference call.

B.1.27. Is the Secretary to the Board also a Director?

Yes

No

B.1.28. Indicate the mechanism, if any, established by the company to preserve the independence of the auditor, of financial analysts, investment banks and rating agencies

With regards to the independence of the external Company Accounts Auditor, Article 43 of the Regulations of the Board of Directors establishes that the Board shall establish a stable, professional relationship with the Company Accounts Auditor, strictly respecting its independence. Thus, one of the fundamental competencies of the Audit and Control Committee is to “maintain relations with the Company Accounts Auditor to receive information on those matters that may jeopardise the independence of this figure”.

Moreover, and in accordance with Article 24 of the Regulations of the Board of Directors, it is the Audit and Control Committee that proposes to the Board of Directors, for submission to the General Shareholders’ Meeting, the appointment of the Accounts Auditor as well as, when appropriate, the terms of engagement, the scope of the professional mandate and revocation or renewal of the appointment.

In this regard it is stated that the Company decided after being auditing with the same Account Auditor for nine years, to enter into an appointment process for selection of new Account Auditor. The aforementioned appointment took place at the GMS held on May 31, 2005.

Likewise, the external Accounts Auditor has direct access to the Audit and Control Committee and participates regularly in its meetings, in the absence of the Company management team when this is deemed necessary. To this effect, and in keeping with United States legislation on this matter, the external Accounts Auditor must inform the Audit and Control Committee at least once annually on the most relevant generally accepted auditing policies and practises followed in the preparation of the Company’s financial and accounting information that affect relevant elements in the financial statements which may have been discussed with the management team, and of all relevant communications between the Accounts Auditor and the Company management team.

In accordance with internal Company regulations and in line with the requirements imposed by legislation in the United States, the engagement of any service from the external Company Accounts Auditor must always have the prior approval of the Audit and Control Committee. Moreover, the engagement of non-audit services must be done in strict compliance with the Accounts Audit Law (in its latest version established in Law 44/2002 of 22nd November, on Financial System Reform Measures) and the Sarbanes-Oxley Act published in the United States and subsequent regulations. For this purpose, and prior to the engagement of the Accounts Auditor, the Audit and Control Committee studies the content of the work to be done, weighing the situations that may jeopardise independence of the Company Accounts Auditor and specifically supervises the percentage the fees paid for such services represent in the total revenue of the auditing firm. Thus, the Company reports the fees paid to the external Company Accounts Auditor, including those paid for non-audit services, in its Annual Report, in accordance with the legislation in effect.

B.1.29. Indicate whether the auditing firm does non-audit work for the company and/or its group. If so, declare the fees it receives for such work and the percentage represented by such fees of the total fees invoiced the company and/or its group

Yes No

	Company	Group	Total
Amount from non-audit work (thousand euros)	272	1,420	1,692
Amount from non-audit work / total amount invoiced by the auditing firm	17,000	11,000	11,662

B.1.30. Indicate how many consecutive years the current auditing firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate how many years the current auditing firm has been auditing the accounts as a percentage of the total number of years over which the annual accounts have been audited:

	Company	Group
Number of consecutive years	1	1
Number of years audited by the current audit firm / number of years the company accounts have been audited (in %)	4.000	7.000

B.1.31. List the stock holdings of the members of the company's Board of Directors in other companies with the same, similar or complementary types of activity that constitute the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies:

Name or corporate name of Director	Corporate name of the company	% participation	Post or Duties
Mr. Isidro Fainé Casas	Abertis Infraestructuras, S.A.	0.001	Chairman
Mr. Maximino Carpio García	Telefónica Móviles, S.A.	0.000	Director
Mr. Miguel Horta E Costa	Portugal Telecom Sgps, S.A.	0.010	Executive Chairman
Mr. Luis Lada Díaz	Telefónica Móviles, S.A.	0.010	Director
	Sogecable, S.A.	0.010	Director
Mr. Julio Linares López	Telefónica Móviles, S.A.	0.010	–
Mr. Antonio Massanell Lavilla	Telefónica Móviles, S.A.	0.010	Chairman
Mr. Enrique Used Aznar	Amper, S.A.	0.390	Chairman
Mr. Antonio Viana-Baptista	Telefónica Móviles, S.A.	0.010	Executive Chairman
	Portugal Telecom, Sgps, S.A.	0.010	Director
	Pt Multimedia-Serviços de Telecomunicações e Multimedia, Sgps, S.A.	0.010	–

B.1.32. Indicate whether there are procedures for Directors to receive external advice:

Yes No

Details of the procedure

- Article 31 of the Regulations of the Board of Directors establishes that in order to be aided in the performance of their duties, the external Directors in majority, or any of the Board Committees by majority resolution of its members, may request that legal, accounting, financial or other experts may be engaged at the expense of the Company. Such engagement must necessarily be related to specific problems of certain importance and complexity that arise in the performance of their office.
- The Chairman of the Company must be informed of the decision to commission such services, which shall be engaged by the Secretary to the Board, except when the Board of Directors does not consider the engagement of such services to be necessary or appropriate.

B.1.33. Indicate whether there are procedures for Directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes

No

Details of the procedure

- The Company adopts the measures necessary to ensure that the Directors receive the necessary information, specially drawn up and addressed at preparing the sessions of the Board and its Committees, with sufficient time. Under no circumstances shall such requirement not be fulfilled on the grounds of the importance or the confidential nature of the information – except in absolutely exceptional cases.
- For this purpose, all the meetings of the Board and the Board Committees have a pre-established Agenda, which is communicated at least three days prior to the date scheduled for the meeting together with the call for the session. For the same purpose, the Directors are sent the documentation related to the Agenda of the meetings with sufficient time. Such information is subsequently completed by the written documentation and presentations furnished the Directors during the session itself.
- To facilitate all the information and clarifications necessary in relation to certain points deliberated, the senior management of the Group attends nearly all the meetings of the Board to explain the matters within their competencies.
- Furthermore, and as a general rule, the Regulations of the Board of Directors expressly establish that Directors are attributed with the broadest powers to obtain information about all aspects of the Company, to examine its books, records, documents and other data regarding corporate transactions. The exercise of this right to information is channelled through the Chairman or Secretary to the Board of Directors, who shall respond to all requests from Directors, furnishing them with the information directly or by establishing suitable channels within the organisation for this purpose.

B.1.34. Indicate whether there is liability insurance for the company Directors:

Yes

No

B.2. Board of Directors Committees

B.2.1. List the governing bodies

Name of body	Number of members	Duties
Board of Directors	17	* (1)
Executive Committee	7	* (2)

* (1) Duties.

The Highest Body of the Company Administration and Representation, thus Being Empowered to Undertake, within the Scope of the Corporate Purpose Defined in the Articles of Association, all Acts and/or Legal Transactions of Administration and Disposal, by Any Legal Title, Except for those Reserved by Law or the Articles of Association to be the Exclusive Competence of the General Shareholders' Meeting. The Above Notwithstanding, the Board of Directors is Basically Configured as a Body for Supervision and Control, and the Ordinary Management of the Company Business is Entrusted to the Executive Bodies and the Management Team.

* (2) Duties.

The Powers and Attributes Inherent in the Board of Directors, Except for Those that May not be Delegated by Law or Under the Articles of Association.

B.2.2. List the Board Committees and their members:**EXECUTIVE COMMITTEE**

Name	Post
Mr. César Alierta Izuel	Chairman
Mr. Isidro Fainé Casas	Member
Mr. Gregorio Villalabeitia Galarraga	Member
Mr. Maximino Carpio García	Member
Mr. Carlos Colomer Casellas	Member
Mr. Antonio Viana-Baptista	Member
Mr. Julio Linares Lopez	Member
Mr. Ramiro Sánchez de Lerín García-Ovies	Secretary, no Member

AUDIT AND CONTROL COMMITTEE

Name	Post
Mr. Antonio Massanell Lavilla	Chairman
Mr. Maximino Carpio García	Member
Mr. Gonzalo Hinojosa Fernández de Angulo	Member
Mr. Gregorio Villalabeitia Galarraga	Member
Mr. Ramiro Sanchez de Lerín García-Ovies	Secretary, no Member

NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

Name	Post
Mr. Alfonso Ferrari Herrero	Chairman
Mr. Maximino Carpio García	Member
Mr. Pablo Isla Álvarez de Tejera	Member
Mr. Gonzalo Hinojosa Fernández de Angulo	Member
Mr. Ramiro Sanchez de Lerín García-Ovies	Secretary, no Member

STRATEGY AND INVESTMENT COMMITTEE

Name	Post
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B.2.3. Describe the organisational and operational rules and the responsibilities attributed to each of the Board Committees:**The Executive Committee***a) Composition*

The Executive Committee is comprised of the Chairman of the Board of Directors and six Directors appointed by the Board of Directors.

In the qualitative composition of the Executive Committee, the Board of Directors has endeavoured to ensure that the non-executive or the external Directors form a majority in relation to the executive Directors.

In all cases, the favourable vote of at least two thirds of the members of the Board of Directors shall be required for the appointment and/or renewal of the members of the Executive Committee to be valid.

b) Operation:

The Executive Committee shall meet as often as called by the Chairman, usually holding its meetings every fifteen days.

The Chairman and the Secretary to the Executive Committee shall be those persons who hold the same offices on the Board of Directors, and one or more Vice-Chairmen and a Vice-Secretary may also be appointed.

The Executive Committee shall be validly constituted when the meeting is attended by one half plus one of its members either present or represented.

Resolutions shall be passed by majority of the Directors attending the meeting (present or represented), and the Chairman holds the casting vote in the event of a draw.

c) Relations with the Board of Directors:

The Executive Committee shall report regularly to the Board of Directors on all matters deliberated and the resolutions passed in its sessions.

The Audit and Control Committee

Pursuant to the provisions set out in Article 31 bis of the Articles of Association of Telefónica, S.A., Article 24 of the Regulations of the Board of Directors regulates the Audit and Control Committee in the following terms:

a) Composition

The Audit and Control Committee shall be comprised of four Directors appointed by the Board of Directors. All the members of the said Committee shall be non-executive Directors.

The Chairman of the Audit and Control Committee shall be appointed from amongst its members, must be replaced every four years, and may be re-elected when the term of one year has elapsed from ceasing to hold this office.

b) Duties

Notwithstanding other duties entrusted to it by the Board of Directors, the Audit and Control Committee shall primarily serve to support to the Board of Directors in its supervisory capacity and specifically shall have the following competencies:

1. to report, through its Chairman, to the General Shareholders' Meeting on matters raised by the shareholders on issues within the competency of the Committee;
2. to propose to the Board of Directors, for subsequent submission to the General Shareholders' Meeting, the appointment of the Accounts Auditors referred to in Article 204 of the Corporations Law, as well as, when appropriate, the terms of engagement, the scope of professional mandate and revocation or renewal of such appointment;
3. to supervise the internal audit services;
4. to examine the financial information process and the internal control systems;
5. to maintain the necessary relations with the Accounts Auditor to receive information on all matters that may jeopardise its independence, and any others related to the process of auditing the accounts, as well as to receive any information and maintain the communications with the Accounts Auditor that are established by legislation governing accounts auditing and the related technical regulations.

C) Operation

The Audit and Control Committee shall meet at least once each quarter and as often as appropriate at the discretion of its Chairman, or on request from two of its members, or by the Executive Committee.

The Audit and Control Committee may require the Company Accounts Auditor and the internal auditing officer to attend its meetings.

Nominating, Compensation and Corporate Governance Committee

a) Composition

The Nominating, Compensation and Corporate Governance Committee shall be comprised of four Directors. All the members of the Committee shall be non-executive Directors.

The Chairman of the Nominating, Compensation and Corporate Governance Committee shall be appointed from amongst its members.

b) Duties:

Notwithstanding other duties entrusted it by the Board of Directors, the Nominating, Compensation and Corporate Governance Committee shall have the following duties:

1. to report on the proposals to appoint Directors and senior management of the Company and its subsidiaries.
2. to approve the remuneration scales for senior Company management.
3. to approve the standard contracts for senior management.
4. to determine the remuneration scheme for the Chairman.
5. to report and propose the remuneration scheme for Directors acting on the Board of Directors and to review such scheme periodically to ensure that it suits the duties performed by the Directors pursuant to Article 36 of the Regulations of the Board.
6. to report on incentive plans.
7. to examine the remuneration policy for Directors and senior management annually.
8. to report on the proposals for appointment of the members of the Executive Committee and the other Board Committees.
9. to prepare and keep a record of the status of the Directors and senior Company management.
10. to prepare the Annual Report on Corporate Governance.
11. to exercise all other competencies assigned to the Committee under the Regulations of the Board of Directors.

All the activities undertaken by the Nominating, Compensation and Corporate Governance Committee shall be reported to the Board of Directors at the first subsequent meeting held and, in all cases, the relevant documentation shall be made available so that the Board may be informed of the Committee's activities and thus suitably perform its supervisory duties.

c) Operation

The Nominating, Compensation and Corporate Governance Committee shall meet whenever the Board of the Directors or its Chairman requests the issue of a report or the approval of proposals within the scope of its competencies and when, in the opinion of the Chairman of the Committee, it is appropriate for the proper performance of its duties.

Regulation Committee

a) Composition

The Regulation Committee up to the date of the approval of this report, is comprised of two non-executive Directors.

The Chairman of the Regulating Committee shall be appointed from amongst its members.

b) Duties:

Notwithstanding other duties entrusted to it by the Board of Directors, the Regulation Committee shall have at least the following functions:

1. to undertake, through study, analysis and discussion, the continual monitoring of the main topics and matters of a regulatory nature that affect the Telefónica Group at all times.
2. to provide a channel for communication and information between the Management Team and the Board of Directors in regulatory matters and, when appropriate, to inform the Board of Directors on matters that are important or relevant for the Company or any of the companies within its Group and for which it may be necessary or appropriate to adopt a decision or establish a particular strategy.

Human Resources and Corporate Reputation Committee

a) Composition:

The Human Resources and Corporate Reputation Committee is comprised of four Directors, all of whom must be non-executive Directors.

The Chairman of the Human Resources and Corporate Reputation Committee shall be appointed from amongst its members.

b) Duties:

Notwithstanding other duties entrusted to it by the Board of Directors, the Human Resources and Corporate Reputation Committee shall have at least the following functions:

1. to analyse, inform and propose to the Board of Directors the adoption of the appropriate resolutions with regards to personnel policy.
2. to encourage the development of the Telefónica Group's Corporate Reputation project and the implementation of the core values of the Group.

The Service Quality and Customer Service Committee

a) Composition:

The Service Quality and Customer Service Committee is comprised of four Directors, the majority of whom must be non-executive Directors.

The Chairman of the Service Quality and Customer Service Committee shall be appointed from amongst its members.

b) Duties:

Notwithstanding other duties entrusted to it by the Board of Directors, the Service Quality and Customer Service Committee has the following functions:

1. to examine, analyse and periodically monitor the quality rates of the main services provided by the Telefónica Group companies.
2. to evaluate the level of customer service provided by the said companies to its customers.

The International Affairs Committee

a) Composition:

The International Affairs Committee is comprised of five Directors, the majority of whom must be non-executive Directors.

The Chairman of the International Affairs Committee shall be appointed from amongst its members.

b) Duties:

Notwithstanding other duties entrusted to it by the Board of Directors, the International Affairs Committee's primary mission is to reinforce and bring international matters that are relevant to the development of Telefónica to the attention of the Board of Directors. For this purpose, the Committee has the following functions, amongst others:

1. to pay particular attention to institutional relations in the countries in which the Telefónica Group companies operate.
2. to analyse those matters of importance that affect the Group in international bodies or forums, as well as those relating to economic integration.
3. to review regulatory matters and issues concerning competition and alliances.
4. to evaluate the programmes and activities of the various Company Foundations and the resources that are used in benefit of the Company's image and its international social presence.

B.2.4. Indicate any advisory or consulting powers and, where applicable, the powers delegated to each of the committees:

Name of committee	Brief description
Executive Committee	Corporate Body with General Decision-Making Powers and Express Delegation of all the Powers Attributed to the Board of Directors, Except those that May not be Delegated by Law or Under the Company Articles of Association.
Audit and Control Committee	Consultative and Control Committee
Nominating, Compensation and Corporate Governance Committee	Consultative and Control Committee
Human Resources and Corporate Reputation Committee	Consultative and Control Committee
Regulation Committee	Consultative and Control Committee
Service Quality and Customer Service Committee	Consultative and Control Committee
International Affairs Committee	Consultative and Control Committee

B.2.5. Indicate, if applicable, any regulations governing the Board committees, where they are made available for consultation and any amendments to the same made during the financial year. Indicate whether any annual report has been voluntarily drawn up on the activities of each committee

The organisation and operation of the Board of Directors Committees are governed by specific regulations contained in the Regulations of the Board of Directors. Besides the Audit and Control Committee is also regulated in article 31 bis of the Article of Association.

B.2.6. If there is an Executive Committee, explain the degree of powers and the independence it has to adopt resolutions on the company administration and management in the performance of its duties

Within the limits of the legislation in effect, the Board of Directors has expressly delegated all of its powers and attributes, except for those that may not be delegated by law or under the Company Articles of Association, to the Executive Committee, which has general decision-making powers.

The relationship between the Board of Directors and the Executive Committee is based on the principle of transparency, so that the Board is always aware of the decisions made by the Committee. Thus, the Board of Directors is informed at each of its meetings of all the resolutions adopted by the Executive Committee. To this effect, a summary of the Minutes of the Committee sessions is distributed to all the members of the Board; the Board then ratifies the aforementioned resolutions.

B.2.7. Indicate whether the composition of the executive committee reflects the participation within the Board of the different types of Directors:

Yes

No

If not, describe the composition of the Executive Committee

B.2.8. If there is a nominating committee, indicate whether all its members are external Directors:

Yes

No