

G. Other Information of Interest

List and explain below the contents of any relevant principles or aspects of corporate governance applied by the company that have not been covered by this report.

This section may include any other relevant, but not reiterative information, clarification or detail related to previous sections of the report.

Specifically, indicate whether the company is subject to corporate governance legislation from any country other than Spain and, if so, include the compulsory information to be provided when this is different from that required for this report.

Clarifications

General clarification: It is stated for the record that the information set forth in this Report refers to the Fiscal Year ended December 31, 2005, except with respect to those matters where a different reference date is specifically indicated.

Note 1 to Section A.2.] Of the total number of shares set forth in this sub-section and owned directly by La Caixa, 1,370,330 shares (0.028%) were acquired by La Caixa pursuant to an agreement to establish an option plan on Telefónica, S.A. shares for certain beneficiary employees. La Caixa cannot dispose of the shares subscribed for, exercise the voting and similar rights attaching thereto or receive the financial returns inherent to ownership of such shares, such that title to the shares is merely formal and fiduciary in nature.

Note 2 to Section B.1.2.] At its meeting of January 25, 2006, after receiving a favourable report from the Nominating, Compensation and Corporate Governance Committee, the Board of Directors resolved to appoint two shareholders as members of the Board of Directors of the Company to fill the two existing vacancies on the Board of Directors, as provided in Article 138 of the Spanish Corporations Law.

The following is the information on such two Directors:

- Mr. David Arculus (independent Director) and
- Mr. Peter Erskine (executive Director). He was also appointed as member of the Executive Commission at the same meeting of January 25, 2006.

Furthermore, it is stated for the record that Director Mr. Miguel Horta e Costa tendered his voluntary resignation, of which the Board of Directors took notice at its meeting of March 29, 2006.

Note 3 to Section B.1.7.] As regards Directors of the Company who are also members of the board(s) of directors at other companies listed on official securities markets in Spain, other than those of its Group, the following changes occurred between the end of year 2005 and the date of approval of this report: (i) the Director Mr. Gonzalo Hinojosa Fernández de Angulo has ceased to be a director of the company Cortefiel, S.A.; (ii) the Director Mr. Luis

Lada Díaz has ceased to be a director of the company Sogecable, S.A.; and (iii) the Director Mr. Julio Linares López has become a Director of Sogecable, S.A.

Note 4 to Section B.1.8.] sub-section a). The item «Fixed Compensation» includes: (i) 2,810,779 euros in salaries collected by the Directors in their capacity as executives; and (ii) 3,457,601 euros collected by the members of the Board of Directors as a fixed allowance for belonging to the Board of Directors or its Committees. Furthermore, the six Directors of the Company who are members of the Advisory Councils of Catalonia, Andalusia and Valencia collected a total of 84,999.77 euros during fiscal year 2005.

Note 5 to Section B.1.8.] sub-section b). This item includes: (i) 761,987,67 euros in salaries collected by one of the members of the Board of Directors in his capacity as executive director (Mr. Antonio Viana-Baptista); and (ii) 1,120,560 euros collected by the members of the Board of Directors as a fixed allowance for belonging to the Board of Directors of one of the companies of the Group or of any of their respective Committees.

Note 6 to Section B.1.9.] As regards the remuneration collected by Senior Managers who do not belong to the Board of Directors as executive directors, the following should be noted

- a) with respect to Mr. Julio Linares López, only the remuneration collected from January through November 2005 is included, since he was appointed a Director in December of that year.
- b) the remuneration of Mr. Ramiro Sánchez de Lerín García-Ovies that is included is that collected since July 27, 2005.
- c) the remuneration of Mr. Juan Carlos Ros Brugueras, that is included is that collected since September 28, 2005.

Note 7 to Section B.1.10.] Senior management contracts for members of the Executive Commission include a compensation clause consisting of three annual payments, plus an additional payment depending on their seniority in the Company. Such annual payments comprise the last fixed remuneration and the arithmetic mean of the sum of the last two variable remuneration payments collected under the contract.

Note 8 to Section B.1.23] In addition to the Committees mentioned in this section, the Board of Directors of Telefónica, S.A. has four other Committees, which held the number of meetings indicated below during fiscal year 2005: Regulation Committee (9 meetings), Human Resources and Corporate Reputation Committee (5 meetings), Service Quality and Customer Service Committee (4 meetings) and International Affairs Committee (6 meetings).

Note 9 to Section B.1.24] Pursuant to the requirements of the US securities laws, the information set forth in the Annual Report on form 20-F (which includes the consolidated Annual Accounts of Telefónica Group) registered with the Securities and Exchange Commission is certified by the Executive Chairman of the Company, Mr. César Alierta Izuel, and by the Chief Financial Officer, Mr. Santiago Fernández Valbuena. However, this certification takes place after such Accounts have been prepared by the Board of Directors of the Company.

Note 10 to Section B.1.30] Fiscal year 1983 was the first fiscal year audited by an independent auditing firm. Prior to that date, the financial statements were reviewed by “censores de cuentas” [*chartered accountants*]. 1983 is therefore the date used as the base for calculating the percentage for purposes of auditing the Individual Annual Accounts of Telefónica, S.A., and 1991 is the date used to calculate the percentage for the purposes of the Consolidated Annual Accounts, because 1991 was the first fiscal year for which the Annual Consolidated Accounts of Grupo Telefónica were prepared.

Note 11 to Section B.2.1.] The Composition of the Board of Directors’ Committees is the following:

Executive Committee:

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

Audit and Control Committee:

Name	Post	Date of appointment
Mr. Antonio Massanell Lavilla	Chairman	30 August 2000
Mr. Maximino Carpio García	Member	29 January 1997
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	26 June 2002
Mr. Gregorio Villalabeitia Galarraga	Member	21 December 2005
Mr. Ramiro Sánchez de Lerín García-Ovies	Secretary, no Member	

Nominating, Compensation and Corporate Governance Committee:

Name	Post	Date of appointment
Mr. Alfonso Ferrari Herrero	Chairman	30 May 2001
Mr. Maximino Carpio García	Member	30 August 2000
Mr. Pablo Isla Álvarez de Tejera	Member	26 June 2002
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	30 November 2005
Mr. Ramiro Sanchez de Lerín García-Ovies	Secretary, no Member	

Regulation Committee:

Name	Post	Date of appointment
Mr. Enrique Used Aznar	Chairman	26 June 2002
Mr. Fernando de Almansa Moreno-Barreda	Member	25 January 2006
Mr. Gregorio Villalabeitia Galarraga	Member	26 May 2004
Mr. Julio Linares López	Member	25 January 2006

Human Resources And Corporate Reputation Committee:

Name	Post	Date of appointment
Mr. Pablo Isla Álvarez de Tejera	Chairman	26 June 2002
Mr. Alfonso Ferrari Herrero	Member	26 June 2002
Mr. Antonio Massanell Lavilla	Member	22 July 1998
Mr. Enrique Used Aznar	Member	26 June 2002

Service Quality and Customer Service Committee:

Name	Post	Date of appointment
Mr. Gonzalo Hinojosa Fernández de Angulo	Chairman	26 June 2002
Mr. Carlos Colomer Casellas	Member	26 June 2002
Mr. Luis Lada Díaz	Member	31 March 2004
Mr. Antonio Massanell Lavilla	Member	26 March 1998

International Affairs Committee:

Name	Post	Date of appointment
Mr. Fernando de Almansa Moreno-Barreda	Chairman	28 May 2003
Mr. Alfonso Ferrari Herrero	Member	28 May 2003
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	28 February 2006
Mr. Enrique Used Aznar	Member	28 May 2003
Mr. Gregorio Villalabeitia Galarraga	Member	28 May 2003

Note 12 to Section C.1.] In addition to the information included in that section, the companies of Telefónica Group provide telecommunications and telemarketing services to various companies of BBVA Group and La Caixa, Group on market terms.

This annual corporate governance report was approved by the company's Board of Directors at its session held on April 26, 2006.

Indicate the Directors who voted against or abstained from voting on the approval of the present Report.

Telefónica, S.A.

Corporate Governance Annual Report 2005

This Report is also available at Telefónica's Internet website:

www.telefonica.com/eng

Shareholders may request copies of this Report from **Telefónica's Shareholders Services Office** by calling freephone

900 111 004 (in Spain), or by electronic mail to:

accion.telefonica@telefonica.es

The information required by law is also available to shareholders and to the general public.

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