

(ii) Limits on the acquisition and/or transfer of company stock:

There are no provisions in the Articles of Association restricting or limiting the free transfer of Telefónica stock.

The above notwithstanding, in response to the Ruling from the European Court of Justice of 13th May 2003, Law 62/2003, of 30th December on Tax, Administrative and Social Order Measures, has altered the administrative authorisation regime set out in Law 5/1995, of 23rd March, on the Legal Regime for Transfer of Public Stock in certain companies, to which certain commercial transactions and corporate agreements existing in Telefónica and its subsidiary companies, Telefónica Móviles, S.A., Telefónica Móviles de España, S.A.U. and Telefónica de España, S.A.U. are subject by virtue of Royal Decree 8/1997, of 10th January.

Therefore, the direct or indirect or acquisition of shares in Telefonica or Telefónica Móviles, S.A., including through third party trustees or intermediaries, is subject to a regime of administrative notification when it entails the disposal of at least 10 percent of the Company share capital. However, mere financial transactions that are not addressed at taking over control and/or management of such companies, are not included in this regime.

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	Represented by	Post	Date of first appointment	Date of last appointment	Election procedure
Mr. César Alierta Izuel		Chairman	29-01-1997	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

Name or corporate name of director	Represented by	Post	Date of first appointment	Date of last appointment	Election procedure
Mr. José Antonio Fernández Rivero		Vice Chairman	12-04-2002	12-04-2002	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. Jesús María Cadenato Matía		Director	11-04-2003	11-04-2003	General Shareholders' Meeting
Mr. Maximino 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	15-06-2001	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. José Fonollosa García		Director	11-04-2003	11-04-2003	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. Antonio Massanell Lavilla		Director	21-04-1995	15-06-2001	General Shareholders' Meeting
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	04-02-2000	Cooptation with subsequent ratification by the General Shareholders' Meeting
Mr. Gregorio Villalabeitia Galarraga		Director	27-02-2002	12-04-2002	Cooptation with subsequent ratification by the General Shareholders' Meeting
Mr. Antonio J. Alonso Ureba		Secretary to Board of Directors	28-03-2001	15-06-2001	Cooptation with subsequent ratification by the General Shareholders' Meeting

Total number of Directors**19**

Indicate any members leaving the Board during this period:

Name or corporate name of director	Date of leaving

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
Mr. Luis Lada Díaz	Nominating, compensation, and Corporate governance Committee	Director
Mr. Mario Eduardo vázquez	Nominating, compensation, and Corporate governance Committee	Director
Mr. Antonio Viana-Baptista	Nominating, compensation, and Corporate governance Committee	Director
Mr. Antonio J. Alonso Ureba	Nominating, compensation, and Corporate governance Committee	Secretary to the board of directors

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	La Caixa, Caja de Ahorros y Pensiones de Barcelona
Mr. José Antonio Fernández Rivero	Nominating, compensation, and Corporate governance Committee	Banco Bilbao Vizcaya Argentaria, S.A.
Mr. Jesús María Cadenato Matía	Nominating, compensation, and Corporate governance Committee	Banco Bilbao Vizcaya Argentaria, S.A.
Mr. José Follonosa García	Nominating, compensation, and Corporate governance Committee	Banco Bilbao Vizcaya Argentaria, S.A.
Mr. Antonio Massanell Lavilla	Nominating, compensation, and Corporate governance Committee	La Caixa, Caja de Ahorros y Pensiones de Barcelona
Mr. Gregorio Villalabeitia Galarraga	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. Maximino 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 at Banco Urquijo
Mr. Gonzalo Hinojosa Fernández de Angulo	Nominating, compensation, and Corporate governance Committee	Industrial Engineer. Chairman and Managing Director of Cortefiel, 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. Chairman of Altadis, S.A. and Logista, 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

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

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 – the current composition is fully in line 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 ample majority over executive Directors (fourteen vs. five). Furthermore, there is a majority of independent Directors over proprietary Directors (eight vs. five) 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 Izuela	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. José Antonio Fernández Rivero	Adquira España, S.A.	Chairman
Mr. Antonio Massanell Lavilla	Telefónica Móviles, S.A.	Director
Mr. Fernando de Almansa Moreno-Barreda	Telefónica Internacional, S.A.	Director
Mr. Fernando de Almansa Moreno-Barreda	Telefónica Móviles, S.A.	Director
Mr. Fernando de Almansa Moreno-Barreda	Telefónica de Perú, S.A.A.	Director
Mr. Fernando de Almansa Moreno-Barreda	Telefónica de Argentina, S.A.	Director
Mr. Fernando de Almansa Moreno-Barreda	Telecomunicações de Sao Paulo, S.A.	Director
Mr. Jesús María Cadenato Matía	Uno E Bank, S.A.	Director
Mr. Maximino Carpio García	Telefónica Móviles, S.A.	Director
Mr. Alfonso Ferrari Herrero	Telefónica Internacional, S.A.	Director
Mr. Alfonso Ferrari Herrero	Telefónica CTC Chile, S.A.	Director
Mr. Alfonso Ferrari herrero	Telefónica de Perú, S.A.A.	Director
Mr. Luis Lada Díaz	Telefónica Móviles, S.A.	Director
Mr. Enrique Used Aznar	Terra Networks, S.A.	Director
Mr. Enrique Used Aznar	Telecomunicações de Sao Paulo, S.A.	Director
Mr. Enrique Used Aznar	Telefónica de Perú, s.a.a.	Director
Mr. Enrique Used Aznar	Telefónica Internacional, S.A.	Director
Mr. Mario Eduardo Vázquez	Telefónica de Argentina, S.A.	Chairman
Mr. Mario Eduardo Vázquez	Telefónica Holding Argentina, S.A.	Vice Chairman
Mr. Mario Eduardo Vázquez	Compañía Internacional de Telecomunicaciones, S.A.	Vice Chairman
Mr. Mario Eduardo Vázquez	Telefónica Moviles Argentina, s.a.	Chairman
Mr. Mario Eduardo Vázquez	Telefónica Comunicaciones Personales, S.A.	Chairman
Mr. Mario Eduardo Vázquez	Radio Movil Digital Argentina, S.A.	Chairman
Mr. Mario Eduardo Vázquez	Radio Servicios, S.A.	Chairman
Mr. Mario Eduardo Vázquez	Telinver, S.A.	Chairman
Mr. Mario Eduardo Vázquez	Telefónica Data Argentina, S.A.	Chairman
Mr. Mario Eduardo Vázquez	Katalyx Argentina, S.A.	Chairman
Mr. Mario Eduardo Vázquez	Katalyx Food Services Argentina, S.R.L.	Manager
Mr. Mario Eduardo Vázquez	Katalyx Cataloguing Argentina, S.R.L.	Manager
Mr. Mario Eduardo Vázquez	Katalyx Construction Argentina, S.R.L.	Manager
Mr. Mario Eduardo Vázquez	Katalyx Transportation Argentina, S.R.L.	Manager
Mr. Mario Eduardo Vázquez	Terra Networks Argentina, S.A.	Vice President
Mr. Mario Eduardo Vázquez	Adquira Argentina, S.A.	Chairman
Mr. Antonio Viana-Baptista	Telefónica Internacional, S.A.	Director
Mr. Antonio Viana-Baptista	Telefónica Móviles, S.A.	Chairman
Mr. Antonio Viana-Baptista	Telefónica Móviles España, S.A.	Director
Mr. Antonio Viana-Baptista	Telefónica de España, S.A.	Director
Mr. Antonio Viana-Baptista	Telefónica de Argentina, S.A.	Director
Mr. Antonio Viana-Baptista	Brasilcel, N.V.	Director
Mr. Gregorio Villalabeitia Galarraga	Telefónica Internacional S.A.	Director

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. José Antonio Fernández Rivero	Iberdrola, S.A.	Director
Mr. Carlos Colomer Casellas	Indo Internacional, S.A	Vice Chairman
Mr. Carlos Colomer Casellas	Altadis, S.A.	Director
Mr. Carlos Colomer Casellas	Ahorro Bursatil, S.A. SICAV	Chairman
Mr. Carlos Colomer Casellas	Inversiones Inmobiliarias Urquiola, S.A. SICAV	Chairman
Mr. Gonzalo Hinojosa Fernandez de Angulo	Altadis, S.A.	Director
Mr. Gonzalo Hinojosa Fernandez de Angulo	Cortefiel, S.A.	Chairman
Mr. Pablo Isla Álvarez de Tejera	Altadis, S.A.	Chairman
Mr. Pablo Isla Álvarez de Tejera	Compañía de Distribución Integral Logista, S.A.	Chairman
Mr. Pablo Isla Álvarez de Tejera	Iberia Lineas Aereas de España, S.A.	Director
Mr. Luis Lada Díaz	Sogecable S.A.	Director
Mr. Enrique Used Aznar	Amper S.A.	Chairman
Mr. Gregorio Villalabeitia Galarraga	Repsol YPF, S.A.	Director
Mr. Gregorio Villalabeitia Galarraga	Gas Natural, S.A.	Director
Mr. Gregorio Villalabeitia Galarraga	Iberia Lineas Aereas de España, S.A.	Director

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	5,035
Variable remuneration	2,575
Allowances	140
Token payments	0
Share options and/or other financial instruments	0
Others	3
Total:	8,023

Other benefits Thousand euros

Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	36
Pension Plans and Funds: Obligations contracted	0
Life insurance premiums	66
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	1,741
Variable remuneration	645
Allowances	27
Token payments	0
Share options and/or other financial instruments	0
Others	48
Total:	2,461

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	12
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	6,004	1,883
External proprietary	982	98
External independent	1,037	480
Other external	0	0
Total:	8,023	2,461

d) Regarding the attributable profit of the controlling company:

Total directors' remuneration	10,484
Total directors' remuneration / attributable profit of the controlling company	0.360

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. Santiago Fernández Valbuena	General Manager of Finance and Shared Resources
Mr. Luis Abril Pérez	General Manager of Corporate Communication
Mr. Calixto Ríos Pérez	General Manager of Auditing and Management Resources
Mr. Guillermo Fernández Vidal	General Manager of Commercial Development and Subsidiaries
Mr. Francisco de Bergia González	General Manager of Institutional Relations
Mr. Julio Linares López	Executive Chairman of Telefónica de España, S.A.U.
Mr. José María Álvarez-Pallete López	Executive Chairman of Telefónica Internacional, S.A.U.
Total remuneration of senior management (thousand euros)	6,912

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	11
	Board of Directors General Shareholders' Meeting
Body authorising the clauses	X

Is the General Shareholders' Meeting informed of these clauses?

YES NO

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 of Telefónica, 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, and apart from such remuneration as is provided for under the previous section, 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 present, 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.

The Board shall ensure that the remuneration of Directors is in keeping with that paid on the market at companies of a similar size and activity.

Remuneration of Directors shall be fully transparent. To that end, the Nominating, Compensation and Corporate Governance Committee shall annually examine the policy regarding Directors' remuneration. In addition, and in keeping with the provisions of the Company Articles of Association, the Annual Report clearly sets out the 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 in the Company are set out in aggregate form, but 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	La Caixa, Caja de Ahorros y Pensiones de Barcelona	Director General
Mr. José Antonio Fernández Rivero	Banco Bilbao Vizcaya Argentaria, S.A.	Director
Mr. Fernando de Almansa Moreno-Barreda	Banco Bilbao Vizcaya Argentaria, S.A.	Director of Bancomer, S.A.
Mr. Fernando de Almansa Moreno-Barreda	Banco Bilbao Vizcaya Argentaria, S.A.	Managing Director of External Services at Apoyo Empresarial, S.A.
Mr. Jesús María Cadenato Matía	Banco Bilbao Vizcaya Argentaria, S.A.	Director of Large Industrial Corporations
Mr. Antonio Massanell Lavilla	La Caixa, Caja de Ahorros y Pensiones de Barcelona	Deputy Executive Director General

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. José Fonollosa García	Banco Bilbao Vizcaya Argentaria, S.A.	Director General in early retirement
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:

On March 31st 2004, the Board of Directors of Telefónica resolved to adapt the Regulations of the Board of Directors in effect at that time to the provisions of Law 26/2003, of 17th July (Transparency Law), and consequently approved a new Redrafted Text of the aforementioned Regulations. The new Redrafted Text of the Regulations of the Board of Directors of Telefónica was reported to the Spanish National Securities Market Commission on April 1st 2004 and to the General Shareholders' Meeting at its session on April 30th 2004, thus complying with the provisions of the Securities Market Law in its new redrafted form.

In general, the new Regulations respect and maintain the main parameters, structure, content and drafting of the previous Regulations. The principal amendments introduced are as follows:

- Amendments arising from the Aldama Report. The concepts of executive and independent Directors are adapted to the recommendations established in the Aldama Report.
- Amendments arising from the Transparency Law. The Regulations are adapted to the said Law with regards to the duties of Directors (rights and duties of Directors and the obligations of loyalty, diligence and confidentiality to be fulfilled by the same), already regulated in the previous version of the Regulations of the Board of Directors.
- Amendments arising from the new structure of listed companies in the Telefónica Group. Amongst the new general duties of the Board of Directors, the supervision and control of Telefónica and its subsidiary companies is expressly regulated, establishing that such duties shall be carried out through the suitable and efficient coordination between the Company and the companies in its Group, respecting the decision-making powers of their administrative and management bodies, in keeping with the corporate good of the Company and each of the said subsidiaries.

The following amendments are also worthy of note:

- The wording of certain articles is amended to adapt them to the current Articles of Association. Thus, Article 24 of the Regulations was adapted to the provisions of Article 31 bis of the Articles of Association, on the Audit and Control Committee, which was approved at the General Shareholders' Meeting held on April 11th 2003 pursuant to Law 44/2002, of 22nd November, on Financial System Reform Measures. Likewise, Article 38 of the Regulations was adapted to the provisions of Article 28 of the Articles of Association, on the system for remuneration to Directors, and its new wording was approved by the General Shareholders' Meeting of April 11th 2003.
- Regarding the Board of Directors Committees:
 - The new version provides the new name of the Nominating, Compensation and Corporate Governance Committee (formerly the Nominating and Compensation Committee) and the Human Resources and Corporate Reputation Committee (formerly, the Human Resources Committee), and
 - The new version also regulates the Board committees created after the previous version of the Regulations entered into effect: the Service Quality and Customer Service Committee and the International Affairs Committee.
- Finally, for the purpose of improving organisation, slight modifications were made to the text and in the order of the articles in the Regulations.

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.

•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.

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 COO	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
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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 the provisions 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	11
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	21
Number of Audit and Control Committee meetings	11
Number of Nominating, Compensation and Corporate Governance Committee	10
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

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 eleven (11) meetings in the course of 2004.

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 and accounts consolidation, 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.

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.

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)	563	459	1,022
Amount from non-audit work / total amount invoiced by the auditing firm	31,000	4,000	8,000

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	9	9
Number of years audited by the current audit firm / number of years the company accounts have been audited (in %)	41.000	64.000

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	Terra Networks, s.a.	0.000	—
Mr. Fernando De Almansa Moreno-Barreda	Lucent Technologies Inc.	0.000	—
Mr. Maximino Carpio Garcia	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
Mr. Luis Lada Díaz	Sogecable, S.A.	0.010	Director
Mr. Antonio Massanell Lavilla	Telefónica Móviles, S.A.	0.010	Director
Mr. Enrique Used Aznar	Ampere, S.A.	0.390	Chairman
Mr. Antonio Viana-Baptista	Telefónica Móviles, S.A.	0.010	Executive Chairman
Mr. Antonio Viana-Baptista	Portugal Telecom, SGPS, S.A.	0.010	Director
Mr. Antonio Viana-Baptista	PT Multimédia-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	19	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.
Executive Committee	8	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. Jesús María Cadenato Matía	Member
Mr. Maximino Carpio García	Member
Mr. Carlos Colomer Casellas	Member
Mr. Antonio Viana-Baptista	Member
Mr. Gregorio Villalabeitia Galarraga	Member
Mr. Antonio J. Alonso Ureba	Secretary Member

AUDIT AND CONTROL COMMITTEE

Name	Post
Mr. Antonio Massanell Lavilla	Chairman
Mr. Maximino Carpio García	Member
Mr. José Antonio Fernández Rivero	Member
Mr. Gonzalo Hinojosa Fernández de Angulo	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. Gregorio Villalabeitia Galarraga	Member

STRATEGY AND INVESTMENT COMMITTEE

Name	Post
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REGULATION COMMITTEE

Name	Post
Mr. Enrique Used Aznar	Chairman
Mr. José Antonio Fernández Rivero	Member
Mr. Gregorio Villalabeitia Galarraga	Member
Mr. Antonio J. Alonso Ureba	Member

HUMAN RESOURCES AND CORPORATE REPUTATION COMMITTEE

Name	Post
Mr. Pablo Isla Álvarez de Tejera	Chairman
Mr. Alfonso Ferrari Herrero	Member
Mr. Antonio Massanell Lavilla	Member
Mr. Enrique Used Aznar	Member

SERVICE QUALITY AND CUSTOMER SERVICE COMMITTEE

Name	Post
Mr. Gonzalo Hinojosa Fernández de Angulo	Chairman
Mr. Carlos Colomer Casellas	Member
Mr. Luis Lada Díaz	Member
Mr. Antonio Massanell Lavilla	Member

INTERNATIONAL AFFAIRS COMMITTEE

Name	Post
Mr. Fernando de Almansa Moreno-Barreda	Chairman
Mr. Alfonso Ferrari Herrero	Member
Mr. Luis Lada Díaz	Member
Mr. Enrique Used Aznar	Member
Mr. Gregorio Villalabeitia Galarraga	Member

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.

While there is no relevant alteration in the stable, significant stakes in the company share capital, the appointment of the members of the Executive Committee shall be effected as follows: two members from amongst the executive Directors, three members from amongst the proprietary Directors and the two remaining members from amongst the independent 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 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:

- (i) to report on the proposals to appoint Directors and senior management of the Company and its subsidiaries.
- (ii) to approve the remuneration scales for senior Company management.
- (iii) to approve the standard contracts for senior management.
- (iv) to determine the remuneration scheme for the Chairman.
- (v) 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.
- (vi) to report on incentive plans.
- (vii) to examine the remuneration policy for Directors and senior management annually.
- (viii) to report on the proposals for appointment of the members of the Executive Committee and the other Board Committees.
- (ix) to prepare and keep a record of the status of the Directors and senior Company management.
- (x) to prepare the Annual Report on Corporate Governance.

(xi) 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 is comprised of four Directors, the majority of whom must be 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:

- (i) 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.
- (ii) 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:

- (i) to analyse, inform and propose to the Board of Directors the adoption of the appropriate resolutions with regards to personnel policy.
- (ii) 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:

- (i) to examine, analyse and periodically monitor the quality rates of the main services provided by the Telefónica Group companies.
- (ii) 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:

- (i) to pay particular attention to institutional relations in the countries in which the Telefónica Group companies operate.
- (ii) to analyse those matters of importance that affect the Group in international bodies or forums, as well as those relating to economic integration.
- (iii) to review regulatory matters, issues concerning competition and alliances.
- (iv) 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.

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.