

D.5. Identify and describe the processes for compliance with the regulations applicable to the company and/or its group.

The great majority of the companies comprising the Telefónica Group operate in the telecommunications sector, which is subject to regulation in nearly all the countries where the Group is present. Amongst the basic objectives of the internal control model described above is objectives compliance with those laws and regulations that affect the Telefónica Group's activities. In particular, the Group has units exercising specific control over this type of risks, especially through its legal services and in the area of corporate regulation.

E. THE GENERAL SHAREHOLDERS' MEETING

E.1. Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company Articles of Association. Describe any differences from the minimum regime set out in the Corporations Law.

Pursuant to Article 15.4 of the Articles of Association, both ordinary and extraordinary General Shareholders' Meetings shall be validly constituted in accordance with the requirements of the legislation in effect in each case, depending on the matters on the Agenda.

E.2. Explain the rules governing the adoption of corporate resolutions. Describe any differences from the provisions established in the Corporations Law.

Article 21 of the Articles of Association establishes that the General Shareholders' Meeting shall adopt its resolutions with the majority of votes established by law, cast by the shareholders present or represented.

Each share present or represented at the General Shareholders' Meeting shall give rise to one vote, except shares without voting rights, pursuant to the provisions of the law.

Notwithstanding the provisions of the paragraph above, no shareholder shall be allowed to cast a number of votes representing more than ten percent of the overall share capital with voting rights existing at any given time, regardless of the number of shares he/she actually holds.

In ascertaining the maximum number of votes that each shareholder may cast, only those shares owned by each shareholder shall be taken into account, and the shares belonging to other shareholders who have appointed such shareholder as their proxy shall not be included, without prejudice to the aforementioned ten percent limit, which shall apply equally to every represented shareholder.

The limit set in the preceding paragraphs shall also apply to the maximum number of votes that may be cast by an individual or corporate body holding shares in the Company or by the organisation or organisations that are directly or indirectly controlled by such individual or corporate body.

To the effects of the paragraph above, both the existence of groups of organisations and the controlling situations described above shall be ascertained in accordance with the provisions of section 4 of the Securities Market Law of 28th July 1998.

Without prejudice to such restrictions on the voting rights as are set out above, all the shares represented at the General Shareholders' Meeting shall be taken into account in the determination of the required quorum to validly hold the Meeting; however, in the casting of votes, those shares shall be subject to the ten percent limit on the number of votes that may be cast, in accordance with the provisions of the present article 21.

E.3. List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the Corporations Law.

Telefónica grants all shareholders' the rights related to the General Shareholders' Meetings set out in the Corporations Law. Likewise, with a view to encouraging shareholders' participation in the GSM, pursuant to Article 11 of the Regulations of Telefónica's General Shareholders' Meeting, shareholders may, at all times and following accreditation of their identity as such, make suggestions related to the organisation, operation and competencies of the General Shareholders' Meeting through the Shareholders' Office.

E.4. Indicate measures adopted, if any, to encourage shareholders' participation in the General Shareholders' Meetings.

The primary goal of the Regulations of the General Shareholders' Meeting of Telefónica is to offer the shareholder a framework that guarantees and facilitates the exercise of his/her rights in relation to the sovereign Company body, with particular attention to the right to information and participation in the deliberations and voting, endeavouring to achieve maximum diffusion of the call and proposed resolutions to be submitted to the GSM.

In addition to the measures required by the applicable law in effect, the following are specific measures envisaged in the Regulation of the General Shareholders' Meeting with a view facilitating shareholders' attendance and participation in the Meeting:

*** Website**

In addition to the documents and information required by law, the Company website includes all the information the Company deems appropriate with regards to the aforementioned objectives and, in particular, as an indication, the following:

- a) The text of all the proposed resolutions to be submitted to the General Shareholders' Meeting that have been approved by the Board of Directors, without prejudice to their subsequent modification by the Board prior to the date of the Meeting, when legally possible.
- b) Information regarding the venue of the General Shareholders' Meeting and describing, if appropriate, the process for access to the hall.
- c) Procedure for obtaining attendance cards or certificate issued by the legally authorised bodies.
- d) Means and procedures to grant proxy for the General Shareholders' Meeting.
- e) Should they exist, the means and procedures for remote voting.
- f) All other issues of interest to follow the meeting, such as the existence of media for simultaneous translation, audiovisual diffusion of the Meeting or information in other languages.

The Company shareholders may obtain all of the aforementioned information through the corporate website, or may request that it be sent to them free of charge through the mechanisms established on the website for this purpose.

*** Formulation of shareholders' suggestions.**

As indicated above and without prejudice to the rights of shareholders to request inclusion of certain matters on the Agenda of the Meeting when requesting its call in the cases and terms envisaged by law, shareholders may, at all times and with prior accreditation as such, make suggestions regarding the organisation, operation and competencies of the General Shareholders' Meeting through the Shareholders' Office.

Likewise, through the Shareholders' Office, shareholders may request all types of information, documentation and clarifications required in relation to the GSM, either through the Company website or by calling the toll-free line.

*** Delegation and representation**

The Chairman of the General Shareholders' Meeting or, when so delegated by the same, the Secretary, shall resolve all doubts that may arise with respect to the validity and effectiveness of the documents accrediting the right of any shareholder to attend the GSM individually or in representation of another, as well as to the delegation and proxy in favour of another party, endeavouring to consider invalid or ineffective only those documents that lack the minimum requirements, provided that such defects have not been remedied.

E.5. Indicate whether the General Shareholders' Meeting is presided by the Chairman of the Board. List the measures, if any, adopted to guarantee the independence and correct operation of the GSM.

YES NO

Describe the measures

The General Shareholders' Meeting of Telefónica has established its principles of organisation and operation in a set of Regulations, approved by the GSM, and the Chairman must always act in line with the principles, criteria and guidelines set out therein.

In addition to establishing the principles of organisation and operation of the General Shareholders' Meeting, gathering and organising the different aspects of calling, organisation and development of the GSM in a single texts, the document provides mechanisms to:

- facilitate shareholders' exercise of their relevant rights, with particular attention to the shareholders' right to information and to participate in the deliberations and voting;
- ensure maximum transparency and efficiency in forming the will and decision making by the GSM.

Furthermore, in accordance with the Regulations of the Board of Directors, the conduct of the Chairman of the Board must always be in line with the criteria and guidelines determined by the GSM (in addition to the Board of Directors and the Board Committees).

E.6. Indicate the amendments, if any, made to the Regulations of the General Shareholders' Meeting during the year.

The Regulations of the General Shareholders' Meeting of Telefónica were approved by the Ordinary GSM of the Company held on April 30th 2004, and have not been amended since that date.

E.7. Indicate the attendance figures for the General Shareholders' Meeting held during this year:

Date GSM	% attending in person	% by proxy	% remote voting	Total %
30-04-2004	0.043	43.195	0.000	43

E.8. Briefly describe the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes by which each resolution was passed:

GENERAL SHAREHOLDERS' MEETING – APRIL 30th 2004**I. Approval of the Annual Accounts for Financial Year 2003:**

- Votes in favour:	1,873,918,001 (87.44%)
- Votes against:	10,371,404 (0.48%)
- Abstentions:	258,558,776 (12.06%)
- Result:	Approved

II. Remuneration to shareholders: distribution of dividends charged to 2003 net income and to the additional paid-in capital reserve.

- Votes in favour:	1,903,393,303 (88.82%)
- Votes against:	372,958 (0.01%)
- Abstentions:	239,081,920 (11.15%)
- Result:	Approved

III. Appointment of the Accounts Auditor for the 2004 financial year.

- Votes in favour:	1,897,600,930 (88.55%)
- Votes against:	528,386 (0.02%)
- Abstentions:	244,718,865 (11.42%)
- Result:	Approved

IV. Authorisation for the acquisition of treasury stock, either directly or through Group companies.

- Votes in favour:	1,902,532,816 (88.78%)
- Votes against:	624,165 (0.02%)
- Abstentions:	239,691,200 (11.18%)
- Result:	Approved

V. Approval of the Regulations of the General Shareholders' Meeting of "Telefónica, S.A."

- Votes in favour:	1,902,266,327 (88.77%)
- Votes against:	373,838 (0.01%)
- Abstentions:	240,208,016 (11.20%)
- Result:	Approved

VI. Conferral of powers to formalise, interpret, correct and execute the resolutions adopted by the General Shareholders' Meeting.

- Votes in favour:	1,902,575,079 (88.78%)
- Votes against:	540,767 (0.02%)
- Abstentions:	239,732,335 (11.18%)
- Result:	Approved

E.9. Indicate, if appropriate, the number of shares required to attend the General Shareholders' Meeting and whether the Company Articles of Association establish any restrictions in this regard.

As established in Article 17 of the Company Articles of Association, every shareholder who holds at least a number of shares representing a par value of not less than 300 euros shall be entitled to attend the General Shareholders' Meeting, provided that said shares have been entered in the shareholder's name in the relevant registry of account entries no less than five days prior to the date on which the GSM is scheduled to be held, and that each shareholder documents such circumstance by means of the corresponding attendance card or certificate issued by any of the Depositories participating in the Registry Systems Management Company that are members of the Securities Clearing and Settlement Service, or by any other means envisaged under the legal provisions in effect.

Notwithstanding the above, shareholders who have a lesser number of shares shall be allowed at all times to delegate the representation thereof upon a shareholder with the right to attend the GSM, as well as to join with other shareholders in similar situation in order to reach the required number of shares, conferring their representation on only one of the aforementioned group of shareholders. Such representation shall be drawn up especially for each Meeting and shall be documented in written form.

All shareholders entitled to attend shall be allowed to delegate their representation at the GSM upon another person, who need not be a shareholder. Such proxy shall be granted on such terms and conditions as may be required by law.

E.10. Indicate and explain the policies pursued by the company with reference to proxy voting at the General Shareholders' Meeting.

As indicated above, with a view to facilitating shareholders' attendance and participation in the General Shareholders' Meetings, the Company has established the following policies in keeping with the legislation in effect:

*** Voting by proxy at the GSM:**

– All shareholders entitled to attend shall be allowed to delegate their representation at the General Shareholders' Meeting upon another person, who need not be a shareholder. Such representation shall be granted specially for each Meeting, either through the proxy form printed on the attendance card or through any other means envisaged by law.

- Likewise, shareholders who hold less than the minimum number of shares required to attend the General Shareholders' Meeting (300 shares) shall be allowed at any time to delegate the representation thereof upon a shareholder with the right to attend the General Shareholders' Meeting, as well as to join with other shareholders in similar situation in order to reach the required number of shares, conferring their representation on only one of the aforementioned group of shareholders.

*** Voting instructions:**

- The documents recording delegation or representation of vote shall state voting instructions. Should express instructions not be given, it shall be understood that the representative shall vote in favour of the proposed resolutions put forward by the Board of Directors on the matters included on the Agenda for the Meeting.
- Should there be no instructions because the General Shareholders' Meeting is to resolve on matters that, while not on the Agenda for the Meeting and thus, unknown at the date of the delegation, may be submitted to ballot at the GSM, the representative must cast the vote in the manner he/she deems the most appropriate, taking into account the interest of the Company and the party represented. The same shall apply when the relevant proposal or proposals submitted for decision by the Meeting are not formulated by the Board of Directors.

*** The party acting as representative:**

- If the proxy document does not state the specific person or persons to whom the shareholders grants representation, it shall be understood to be granted in favour of the Chairman of the Board of Directors of the Company, or whosoever may be a stand in for the Chairman to preside the Meeting, or in favour of the person appointed by the Board of Directors and notified in advance in the official announcement of the call for the GSM.
- In cases in which a public request for representation is formulated, the restrictions on the exercise of voting rights set out in Article 114 of the Securities Market Law shall apply to the Director obtaining such representation.

Finally, and with a view to facilitating the maximum participation of shareholders, the Regulations of the General Shareholders' Meeting establishes that the Chairman of the Meeting, or when so delegated by the Chairman, the Secretary of the same, shall resolve all doubts arising concerning the validity and effectiveness of the documents accrediting the delegation or representation in favour of another party, endeavouring to consider as invalid or ineffective only those documents that lack the minimum essential requirements, and provided that such defects have not been remedied.

E.11. Indicate whether the company is aware of the institutional investors' policy on whether or not to participate in the company's decision making:

YES NO

Describe the policy

E.12. Indicate the address and mode of access to corporate governance content on your website:

After the entrance into effect of Circular 1/2004 of 17th March, issued by the National Securities Market Commission, Telefónica completed the adaptation of its website to the aforementioned Circular, with regards to both technical requirements and content, through the creation of a new section called "Information for Shareholders and Investors" – (www.telefonica.es/accionistaseinversores), which includes all the information set out in the Circular, in addition to other matters the Company considers to be of interest.

All the information included on the Company website, except for certain specific documents, is available in three languages: Spanish, Portuguese and English.

F. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with existing recommendations on corporate governance or, where applicable, where it has not followed such recommendations.

Should the company not comply with any of the aforementioned recommendations, explain the recommendations, rules, practises or criteria the company applies.

Until the single document referred to in the ORDER ECO/3722/2003 of 26th December is completed, the recommendations of the Olivencia Report and the Aldama Report should be used as a reference in completing this section.

The Regulations of the Board of Directors, one of the essential documents that defines the principles of corporate governance in the Company, was adapted by resolution passed by the Board of Directors at its session held on March 31st 2004 to the provisions set out under Law 26/2003 of 17th July (Transparency Law). Subsequently, the Board approved a revised text of the said Regulations. Together with the Company Articles of Association and the Regulations of the General Shareholders' Meeting, these Regulations establish the fundamental rules of corporate governance structure in Telefónica.

The following is an analysis of the degree of compliance with the most relevant international Corporate Governance recommendations, including those formulated in Spain, both in the Report published by the "Special Commission to Study an Ethical Code for the Boards of Directors of Companies: Corporate Governance in Listed Companies", of 26th February 1988 (Olivencia Code) and the "Special Commission to encourage transparency and security on the markets and listed companies", of 8th January 2003 (the Aldama Report).