

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

Section B.1.3.- The Nominating, Compensation and Corporate Governance Committee of Telefónica, in keeping with the functions attributed it by the Board of Directors, issued a favourable report prior to the proposed appointment of all the Directors submitted by the Board for the approval of the relevant General Shareholders' Meeting.

Section B.1.8. sub-section a).- "Fixed remuneration" includes: (a) 2,639,116 euros for salaries paid to executive Directors (Mr. César Alierta Izuel, Mr. Luis Lada Díaz, Mr. Mario Eduardo Vázquez and Mr. Antonio J. Alonso Ureba); and (b) 2,655,563 euros paid to the members of the Board of Directors as a fixed allowance for holding office on the Board or on its Committees. Furthermore, the five Company Directors who participate in the Advisory Councils of Catalonia and Andalusia (constituted in the month of April and October 2004, respectively) have received a total of 48,750 euros during the 2004 financial year.

Section B.1.8. sub-section b).- "Fixed remuneration" includes: (a) 698,410 euros for salaries paid to one of the members of the Board of Directors as an executive Director (Mr. Antonio Viana-Baptista); and (b) 1,042,342 euros as a fixed allowance for holding office on the Board of Directors of any of the Group companies, or on any of their respective Committees.

Section B.1.10.- The Annual Report presented as part of the Annual Accounts for financial year 2003 submitted for approval of the General Shareholders' Meeting held on April 30th 2004 included information regarding this type of clause or "golden parachute". In this respect and as a general rule, the top management contracts for members of the Executive Committee include an indemnity clause consisting of three year's allowance, plus an additional year, depending on seniority in the Company, in the event of a unilateral Company decision to terminate. The aforementioned yearly allowance is based on the last fixed payment received and the mathematical average of the sum of the last two variable payments paid pursuant to the contract.

Section B.1.23.- In addition to the Committees described in this section, the Board of Directors of Telefónica, S.A. has created four other Committees. The following is information regarding the number of meetings held by each during the 2004 financial year: Regulation Committee (10 meetings), Human Resources and Corporate Reputation Committee (6 meetings), Service Quality and Customer Service Committee (4 meetings), and International Affairs Committee (6 meetings).

Section B.1.24.- Pursuant to the requirements of United States securities market regulations, the information contained in the Annual Report in format 20-F (which includes the consolidated Annual Accounts of the 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, such certification was effected after the aforementioned Accounts had been formulated by the Board of Directors of the Company.

Section B.1.30.- The 1983 financial year was the first to be audited by an external auditing firm, as the previous financial statements had been verified by certified public accountants. This is the date taken as the basis for calculation of the percentage with respect to the individual Annual Accounts of Telefónica, S.A. However, the consolidated Annual Accounts for the Telefónica Group were first formulated in 1991.

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

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

Telefónica S.A.

Corporate Governance Annual Report 2004

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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