



07

Society: contribution and proximity

07/01 driving economic development

Telefónica's activities are economic drivers in the countries where it operates.

REDISTRIBUTION OF REVENUE

38,973

billion euros

07/02 driving technological development

The use of the new technologies by both companies and individuals significantly boosts productivity

10 information Society Reports

14 Telefónica Lectureships (Cátedras Telefónica)

07/03 driving digital inclusion

Telefónica works to reduce the causes of the digital divide: geography, economy and skills (Capacitación)

COST OF BASIC SERVICE

198

million euros (Telefónica de España, 2003)

07/04 driving social development

The Telefónica Group is highly involved in social and cultural initiatives in all the countries where it operates.

PEOPLE BENEFITED FROM FUNDACIÓN TELEFÓNICA PROJECTS

26,228,807

07/05 driving equality

Telefónica is committed to equal opportunity through the Global Compact.

INTEGRAL ACCESSIBLE TELEFÓNICA PLAN



The trust of the countries where we operate is founded on our degree of commitment and our contribution to the economic, social and technological progress of all the members of society.

Telefónica plays a decisive role in the development of the societies in which it operates on five different fronts:

- Driving economic development: as a multi-domestic operator, Telefónica contributes towards developing the local economy in every country where it operates through the redistribution of wealth among suppliers, employees, public administrations and shareholders.
- Driving technological development: through investing in technological innovation and encouraging companies and institutions to adopt new technologies.
- Driving digital inclusion: with the objective of popularising telecommunications in each country where it operates, Telefónica implements a variety of measures to reduce the geographical, economic and skills divides.
- Driving social development: telecommunications can be an important tool in facilitating education, cooperation, disseminating art and culture, as well as telemedicine and tele-assistance. Led by Fundación Telefónica, different companies in the group are involved in activities in this area.
- Driving equal opportunities: telecommunications is an important tool for promoting equal opportunities and integrating people with disabilities in the society.

01 DRIVING ECONOMIC DEVELOPMENT

Telefónica is the leading operator in the Spanish and Portuguese-speaking societies as a result of its firm commitment to development in every country where it operates and its desire to adapt itself to the

reality and needs of each society. This multidomestic nature is reflected in the distribution of income, where revenues from countries outside of Spain accounted for 40% of the Telefónica Group's income in 2004.

As one of the main national companies in each country, Telefónica is a driving force behind the national economy. The contribution of Telefónica revenues to the Gross Domestic Product in the countries where it operates, ranges from 1% in Argentina to 2.3% in Spain.

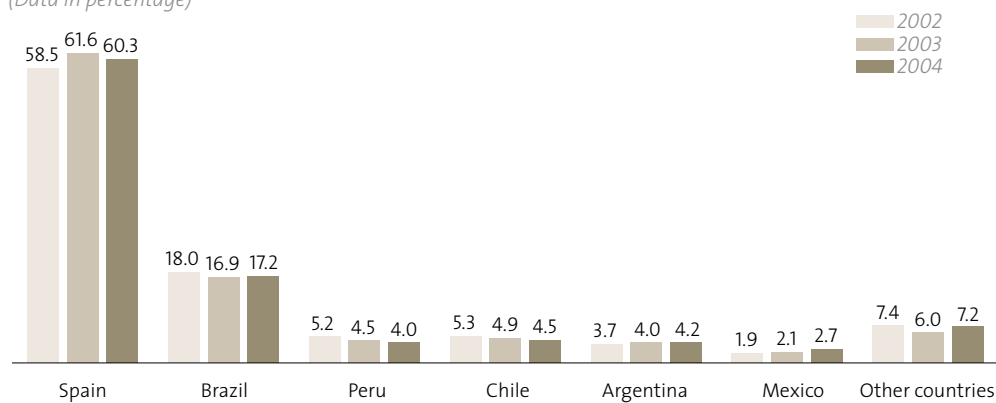
In 2004, Telefónica demonstrated its commitment to invest in each country where it operates:

Latin America

- Throughout its 15 years in Latin America, Telefónica has invested over 70 billion euros in the region, including investment in acquisitions and infrastructure development.
- Telefónica announced an agreement with BellSouth to acquire all of its cellular assets in Latin America, thus consolidating its leadership in the region and entering new markets such as Ecuador, Panama, Colombia, Venezuela, Uruguay and Nicaragua. The initial value of the acquisitions is estimated at 5,850 billion dollars, which makes it one of the largest investment operations undertaken in Latin America.

Argentina

- In November, the Chairman of Telefónica announced to the Argentinean President the company's plans to invest more than 2 billion dollars over a period of four years. These investments will be oriented to develop the landline telephone network, extend the high-speed Internet access service (ADSL) and implant the GSM network for cellular phones, among other initiatives.

DISTRIBUTION OF REVENUE BY COUNTRY (07-1)*(Data in percentage)*

- In 2004, Telefónica Móviles commenced the expansion of its cellular telephone network with GSM/GPRS technology. The network was already operational in the country's main inland cities during the first half of 2004.

Brazil

- In a meeting with the Brazilian President, Telefónica's Chairman reconfirmed the company's intention to maintain the current annual investment of approximately 2.5 billion reais in both fixed and cellular telephone operations.
- Brasilcel, the cellular telephone joint venture in Brazil operating under the Vivo brand and in which Telefónica Móviles and Portugal Telecom each have a 50% stake, announced plans to make friendly takeover bids for part of the shares in circulation in some of its subsidiaries (Telesudeste, Tele Leste, CRT and TCO), confirming and strengthening its commitment to the Brazilian cellular telephone market.

Chile

- In Chile, Telefónica Group companies are leading the Digital Agenda and the Chilean government has set them the following targets for the period 2003-2005:

- 25% of households with Internet access, 100% of large and medium-size companies with broadband Internet access, 66% of SME's with Internet access and 90% of schools with broad bandInternet access.
- One million citizens with training in information technology.
- Advanced transition from an electronic information government to a more transactional and interactive government, with special emphasis on town councils.
- The use of information technology in social policy and to reduce poverty, particularly in the area of health care.

Mexico

- The Chairman of Telefónica confirmed Mexico's strategic importance to the Telefónica Group in discussions with the country's President, and its intention of establishing itself as a long-term investor in Mexico: Telefónica Móviles' is undertaking an investment programme to the amount of 1.5 billion dollars during the period 2003/2006.
- In 2004, Telefónica I+D was founded in Mexico with the objective of supporting and contributing towards the Group's technological development in the country.

Peru

- Telefónica's commitment to broadband technology will be reflected in annual investment of over 150 million dollars within the coming years.
- The launch of new pricing schemes has strengthened Telefónica's commitment to developing the country by giving financially underprivileged families access to the service.

Other countries

- Telefónica Móviles El Salvador deployed a new GSM network in 2004.

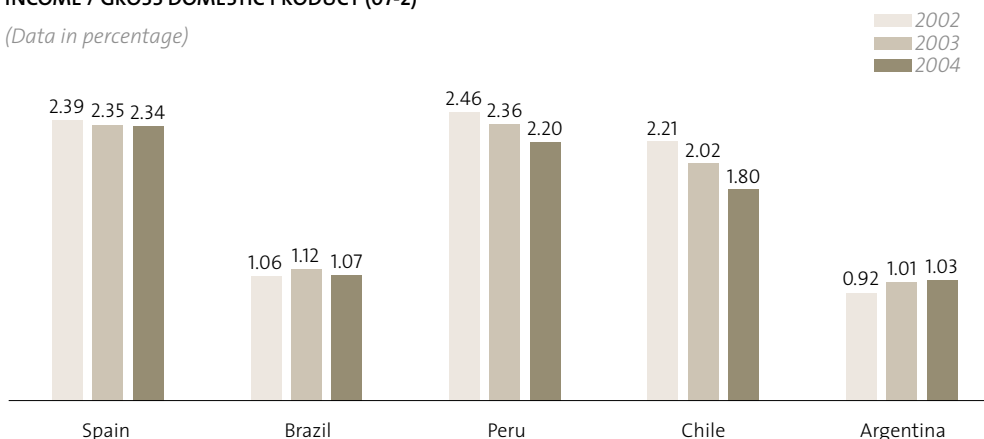
Spain

In Spain, Telefónica has been in operation for over 80 years. In 2004 Telefónica invested 1,970 million euro in the development of national telecommunications and:

- Telefónica Móviles España completed the installation of 2,500 third generation base stations offering service to 40% of the Spanish population. This investment is part of the company's commitment to invest one billion euros in developing a third generation infrastructure deployment plan.

INCOME / GROSS DOMESTIC PRODUCT (07-2)

(Data in percentage)



- Telefónica de España deployed Imagenio, its interactive television service on ADSL, in Alicante, Barcelona and Madrid. During the first quarter of 2005, the service was extended to the Basque Country, Valencia and Zaragoza.
- Telefónica created the *Catalonian and Andalusian Councils* with the objective of promoting the development of the information society in both regions.
- At the local level in Madrid, Telefónica and the Community of Madrid agreed to develop transport infrastructures for the company's new headquarters in the Parque Empresarial de Las Tablas business park.
- *TPI Páginas Amarillas'* online street directory is now available in Catalan, Basque, Galician, English, Portuguese, French and German. This initiative makes it the first mapping search engine that can be entirely viewed in seven languages.

COMMITMENT TO THE ECONOMIES AND DEVELOPMENT OF COUNTRIES. 2004 HIGHLIGHTS (07-3)

Mexico

Revenues/GDP: **0.165%**
 Customer (thousands): **5,639**
 Employees: **6,493**
 Suppliers: **822**
 % Local purchases in volume: **94**

Spain

Revenues/GDP: **2.337%**
 Customer (thousands): **38,812**
 Employees: **59,978**
 Suppliers: **4,114**
 % Local purchases in volume: **93**

Peru

Revenues/GDP: **2.197%**
 Customer (thousands): **5,621**
 Employees: **10,733**
 Suppliers: **1,965**
 % Local purchases in volume: **86**

Chile

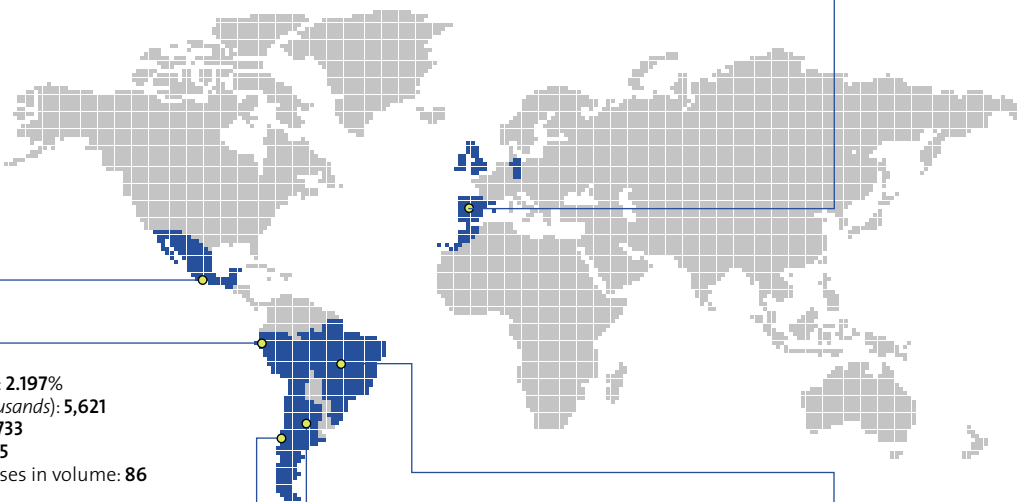
Revenues/GDP: **1.795%**
 Customer (thousands): **5,946**
 Employees: **10,060**
 Suppliers: **1,763**
 % Local purchases in volume: **76**

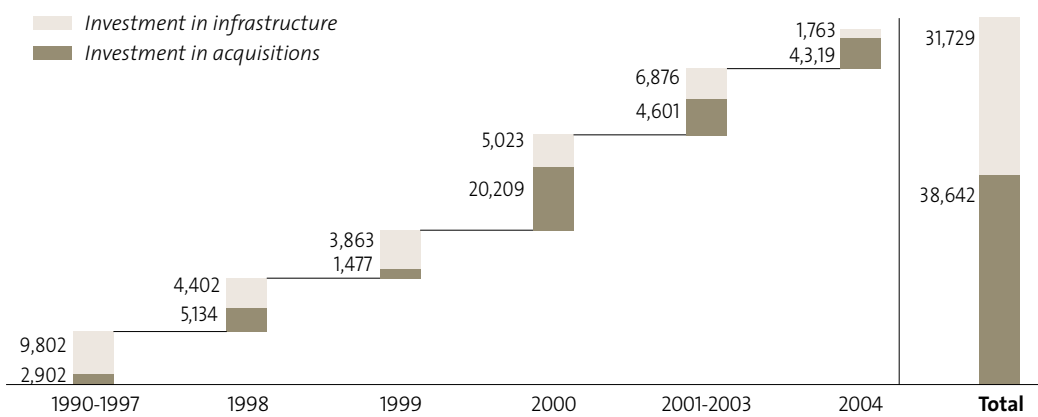
Argentina

Revenues/GDP: **1.029%**
 Customer (thousands): **7,846**
 Employees: **15,177**
 Suppliers: **1,429**
 % Local purchases in volume: **79**

Brazil

Revenues/GDP: **1.074%**
 Customer (thousands): **36,846**
 Employees: **51,741**
 Suppliers: **3,420**
 % Local purchases in volume: **98**



TELEFÓNICA GROUP ACCUMULATED INVESTMENTS IN LATIN AMERICA (07-4)*(Data in millions of euros)***Redistribution of wealth**

The Telefónica Group plays an important role in redistributing wealth among all of its stakeholders. On the one hand, its main source of income comes from payments made for services which, along with other revenues, amount to over 38 billion euros (see chapter 11).

This amount is distributed as financial remuneration to over 173,000 employees, dividend payments to 1.5 million shareholders and payment to over 15,500 suppliers and Public Administrations. With regard to the latter, it is important to highlight Telefónica's role as a tax collector that has collected over 6.3 billion euros for the Public Administrations in the form of taxes, licences, sales and value added taxes.

The high percentage of contracts awarded to local suppliers (92%) is additional evidence of the importance of Telefónica's lines of activity in each region.

Indirect impact of the services

It is important to emphasise the indirect impact that the Telefónica Group's services have on the local economy. For example, activities targeted at reducing the digital divide, a reduction in the price of services, greater availability of broadband services and permanent connectivity are having a significant impact on individual and business productivity, as well as the economy in general.

02 DRIVING TECHNOLOGICAL DEVELOPMENT: MOVING TOWARD THE INFORMATION SOCIETY

It is believed that the Information Society will be essential for the competitiveness and productivity of countries, as well as the individuals, businesses and organisations that operate therein. Telefónica's commitment to developing the Information Society goes beyond innovative activities and takes the form

of several initiatives targeted at developing and popularising the Information Society.

The key to promoting the information society is to turn its potential benefits into real benefits for its users. To achieve this, along with the development of basic infrastructures and the fight against the digital divide, Telefónica undertakes important work in the area of research, meetings and publications, collaborates with universities, works jointly with other companies and develops services aimed at promoting productivity in the different business sectors and Public Administrations.

a) Promoting the Information Society

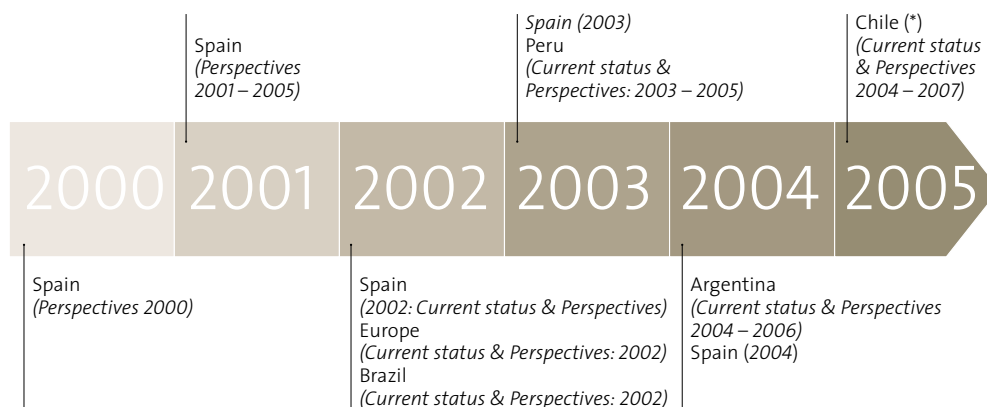
Telefónica was a pioneer in publishing the first report on The Information Society in Spain in 2000, a document that, year after year, analyses the status of the Information Society not only in Spain, but also in Europe and Latin America (Peru, Brazil, Argentina and Chile).

The 2004 Information Society in Spain Report is a detailed analysis of the current status of the Information Society in Spain after using a wide range of indicators and highlighting the close collaboration between all of the Autonomous Regions.

As a support mechanism, to complement the reports, and with the aim of initiating a debate to promote the development and implementation of the Information Society, Telefónica started a series of Round Tables that serve as a meeting point for all parties involved in the different areas of the Information Society. Five meetings of this kind were organised in 2004 on:

- The use of Information and Communication Technology (ICT) in Spanish companies (9 March 2004)
- Learning and teaching today in the Spanish Information Society (27 April 2004)

INFORMATION SOCIETY REPORTS PUBLISHED BY TELEFÓNICA (07-5)



(*) Publication forthcoming

- The challenges of mobility in the Information Society (27 May 2005)
- Home and leisure; two windows to the Information Society (28 June 2004)
- ICT in the Administration and health care: proximity to the citizen (15 November 2004)
- Opportunities and challenges for Argentinean companies in the Information Society (Buenos Aires, 2 December 2004)

Telefónica will launch an Information Society Portal in 2005, a new custom-designed website that will bring together all of the information on the development of the Information Society and Knowledge in Spain: the annual Information Society Reports, round table discussions, publications, courses and all other company initiatives aimed at publicising the latest technological innovations, the services they offer and their repercussions on private and professional fields.

The new technologies facilitate the use of applications such as tele-working, videoconferencing, online training, the integration of people with disabilities, telecontrol of industrial teams, etc., which make it possible to have a society where everyone can have access to information at any time any place and via any device. In this field, the new portal will serve to publicise how the effective use of new technologies can improve the quality of life, increase economic productivity, foster sustainable development and facilitate dialogue between cultures, amongst other issues.

Finally, aware of the need to join forces to promote the Information Society, Telefónica Latinoamérica has created the Latin American Industrial and Information Technology and Communications Forum, along with six other leading technology companies: Intel Corporation, IBM, HP, Microsoft, Time Warner and Cisco Systems. The objective of the Forum

is to help governments and public institutions in countries where Telefónica Latinoamérica operates to implement public policies that lead to economic growth, innovation and digital technology development.

In Spain, Fundetec (Foundation for the info-technological development of companies and society), in which Telefónica participates as a founding member in collaboration with Red.es, El Corte Inglés, HP, Intel and Microsoft, was founded with the goal of conducting specific activities targeted at digital literacy, increase the efficient use of technologies in SMEs and serve as a stimulus to the training in ICT.

b) Collaboration with Universities

In 2004, the Telefónica Group signed or renewed over two hundred agreements with Spanish universities and awarded over one thousand scholarships. The Group's efforts to support university training is evidenced by investment of 10.7 million euros last year, which was earmarked for Telefónica Lectureships - joint collaboration projects between the company and universities, scholarships (approximately 6 million) and other initiatives.

In 2004, Telefónica undertook a total of 102 training initiatives with universities and business schools (120 in 2003 and 65 in 2002). These initiatives were mainly focused on academic collaboration with universities, the provision of lecture halls and premises for teletraining, technological collaboration and the creation of the Telefónica Lectureships, joint collaboration projects between the company and universities focused on a range of specialised subjects. The main objectives of this programme include promoting basic and applied research and training professionals and SME's on the possibilities offered by the Information Society.

These are not the only collaboration initiatives of this kind between the Telefónica Group's companies and universities, as can be seen below:

TELEFÓNICA LECTURESHIPS (07-6)*(University)*

Telefónica Lectureships		2001	2002	2003	2004
Politécnica de Madrid	New Generation Internet	●	●	●	●
Carlos III de Madrid	Studies on telecommunications economy	●	●	●	●
	Studies on telecommunications technology	●	●	●	●
	Advanced Telecommunications Networks and Services			●	●
Autónoma de Madrid	Master in services economy	●	●	●	●
Complutense de Madrid	APIE Master APIE	●	●	●	●
	(Economic Information Journalists' Assoc.)				
Las Palmas de Gran Canaria	Experimental Multimedia Services	●	●	●	●
La Laguna de Tenerife	Unesco on Telemedicine		●	●	●
Politécnica de Valencia	Broad Band and Next Generation Internet	●	●	●	●
Politécnica de Cataluña	Technology specialisation and Knowledge Society		●	●	●
Pompeu Fabra	Multimedia Production	●	●	●	●
Zaragoza	The Quality of New Telecom y Servicios de Telecomunicaciones	●	●	●	●
Oviedo	New Information Technologies and Telecoms			●	●
Santiago de Compostela	Telemedicine			●	●

- Telefónica Móviles Lectureship at the School of Telecommunications Engineering at the Universidad Politécnica Madrid and the Universidad de Deusto.
- Agreement between Telefónica Móviles and Universidad de Valladolid (School of Medicine) and the Centro Superior de Investigaciones Científicas (Biology and Molecular Genetics Institute) to collaborate on subjects related to mobile telephony and health.
- Technological agreements and various collaboration initiatives between Telefónica Móviles and the Universities of Salamanca, Murcia, Cartagena, Málaga, Seville, Valencia and Zaragoza.
- Agreements between Telefónica I+D and all of the public universities in the Castile - Leon region, as well as the Universidad Pontificia de Salamanca.
- *Telefónica Empresas* has undertaken different activities with the universities of Palma de Mallorca, Complutense de Madrid, Santiago de Compostela, Maspalomas Summer School, the Balearic Islands, Murcia, Granada, Deusto and Navarra (IESE).

- Fundación Telefónica collaborates in the Universidad Internacional Menéndez Pelayo summer courses.

In 2004, the Telefónica Group awarded a total of 1,014 scholarships to students in technical studies at different universities through 264 agreements

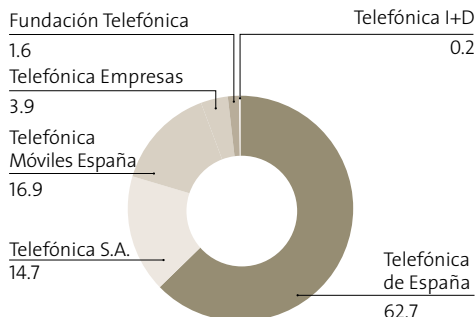
Fundación Telefónica's CampusRed initiative promotes the exchange of information and knowledge between universities in Latin America, facilitating teaching via Internet and shared management. At the end of 2004, CampusRed, which is open to the entire Spanish and Latin American university community, received over one million hits during the year.

Telefónica is collaborating more closely with universities in other countries, such as Argentina, Chile and Peru, as evidenced by:

- The signing of agreements to award scholarships to students and graduates at six Argentinean universities.
- In Argentina, promotion of academic collaboration with the Universidad Católica Argentina, Universidad del Salvador, Universidad de Buenos Aires, Universidad

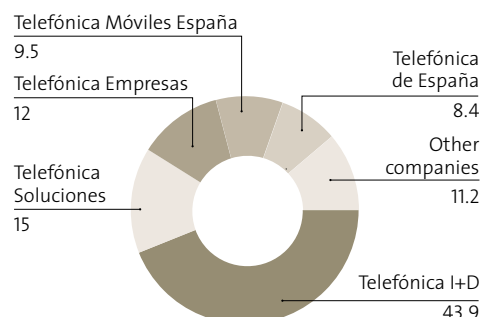
DISTRIBUTION OF INVESTMENT IN UNIVERSITY INITIATIVES BY BUSINESS LINE (07-7)

(Data in percentage)



DISTRIBUTION OF INVESTMENT IN SCHOLARSHIPS BY BUSINESS LINE (07-8)

(Data in percentage)



ACHIEVEMENTS OF THE TELEFÓNICA LECTURESHIPS IN 2004

41

technological innovation projects

11

proyectos en colaboración con Telefónica I+D

17

projects in collaboration with other Universities and Information Centres

26

courses given to 1,259 students

2,538

hours of training

91

scholarships awarded in fields covered by the Lectureships

79

activities to promote scholarships (32 forums, 26 publications and 10 own websites)

8

Telefónica lecture halls

Nacional de La Plata and the Instituto Tecnológico de Buenos Aires.

- In Peru, Telefónica is supporting the country's first specialised course in Telecommunications Engineering, together with the Universidad Católica del Perú, including the establishment of a Telefónica Lectureship.
- In Chile, Telefónica Móviles is undertaking a project to increase cellular technology knowledge in collaboration with the Universidad Tecnológica Metropolitana.

c) MovilForum

One of the most noteworthy initiatives in the practical application of ICT is MovilForum, a forum for collaboration, training and technical support that helps companies develop their own businesses. Within this framework, and with the technical support of the consultancy area, applications are developed for very varied sectors ranging from health care, insurance and banking to industry and transport, among many others.

At the end of 2004, MovilForum had 5,860 members, 154 companies registered, 122 member companies and 103 applications developed. This initiative has largely been made possible by the institutional aid provided by the PROFIT (Programa de Fomento de la Investigación Técnica) programme run by Spain's Ministry of Industry, Tourism and Trade.

One of MovilForum's achievements is the creation of a Product and Services Catalogue designed to familiarise the company's sales force with mobile solutions developed by third parties in the sector, which includes over 200 applications. In addition, 17 MovilForum companies feature third generation (3G) service solutions.

Within the framework of MovilForum in 2004, Mobile Solutions for your Business was launched with the objective of providing SME's

with packaged, low cost mobile solutions for localisation, customer and sales force management, telecontrol/domotics and messaging applications.

d) Services that contribute value to Society

Telefónica has been working for several years on developing communications services that improve the productivity of public services and specific business sectors, as well as catering to the individual needs of certain groups.

Services that contribute value to the civil society

- The Mobile City project was created by Telefónica Móviles España in 2003 with the aim of improving the efficiency of the Administration and its relations with citizens and businesses. This initiative was distinguished with awards from the Spanish Association of Telecommunications Users and the Information Society (AUTELSI) as the best Digital City initiative.

-In Zaragoza, which won the *e.mobility* 2004 award, the Administration is using an alert service for job offers, building permits, suggestion box and schedules for cultural acts and events.

-In Madrid, a series of mobile tourist services have been introduced, *Information on Monuments, Tourist Routes and Postcards of Madrid*, the latter is exclusive to Movistar, which uses MMS technology to download postcards of Madrid onto mobile phones. In addition, Telefónica collaborated in the *Madrid Participa* project, a public opinion poll carried out by the City Council using exclusively new technologies.

-*Virtual parking metre*, which enables convenient, fast and simple payment for parking via Mobipay. In addition, the system alerts the driver when the parking time is

CASE STUDY

**TELEFÓNICA LECTURESHIP ON NEW GENERATION INTERNET
(UNIVERSIDAD POLITÉCNICA DE MADRID) (07–9)**

The main objective of the Lectureship is to create an interest group on the uses and services of new generation Internet, as well as organising activities related to this topic.

The Lectureship is currently conducting the following projects:

- *CyberAula* is a virtual classroom for exchanging educational content between UPM schools and Telefónica I+D. The aim is to experience new tele-education ideas and methodologies in a real environment. Six courses were given in 2004.
- The *Euro6IX (European IPv6 Internet Exchanges Backbone)* project is a European project undertaken in collaboration with Telefónica I+D. The objective is to create a pan-European pilot network based on IPv6, which has a similar architecture to the current Internet, where networks are connected via traffic exchanges (neutral points).
- The main objective of the *E-NEXT* project (developed with Telefónica I+D) is to strengthen Europe's scientific and technological excellence in the area of networks through the progressive and lasting integration of capabilities in the European Research Area (ERA).
- *Conferences on New Generation Internet* with the participation of nearly 30 educational centres in Spain (*TID, 13 universities and one Spanish Council for Scientific Research Institute*), Europe (*8 universities, ESA-ESRIN and Iceland Telecom*) and America (*MIT, Univ. Ottawa, CRC in Ottawa and Univ. Cauca-Popayan in Colombia*). Approximately 80 participants took part in the ETSI Telecomunicación, in addition to a further 600 in remote venues.
- 12 scholarships awarded to conduct projects on New Generation Internet and CyberAula support.

Activities to publicise the Lectureship activities:

- The website is the Lectureship's foremost communication tool and features advertisements and descriptions of the most important and interesting activities it conducts.
- Participation in forums on *Ipv6, W3C Technologies*.
- Publication of the book *Hacia una Internet de Nueva Generación (Towards a New Generation Internet)*.
- The New Applications for Internet Awards (Fourth year) for which 19 application proposals were submitted covering the most significant trends in the development of new services. The first prize went to the Virtual Hospital application: A telemedicine system for caring for HIV/AIDS patients in their homes via the Internet, which was developed by the ETSITM Bioengineering and Telemedicine Group.

CASE STUDY

OBJECTIVES OF A DIGITAL CITY / MOBILE CITY PROJECT (07 -10)

- To improve the city's corporate image.
- To bring the Administration closer to the citizen.
- To obtain a solid information system that includes citizen services, file management, web information and processing.
- To improve the quality of service.
- To create awareness and encourage citizens to use new technologies.
- To promote interest groups (youth, women's, pensioners' associations).
- To facilitate and motivate business activity.
- To promote the city as a tourist destination: art, excursions, adventure, sports, gastronomy, trade.
- To offer quality training to citizens and Administration staff.

up in order to remove the vehicle or extend the parking time directly via mobile.

-*Ticketless* transforms the mobile phone into a tool that receives, stores and delivers tickets to places that require user authentication and is most typically used for purchasing and distributing sports, cinema and theatre tickets, etc.

- *Telefónica Soluciones* launched a multi-channel platform for citizen services that includes in situ, telephone and Internet service. This platform is the first of a series of solutions that the company will launch as part of the Digital Cities' Solutions Centre. The priority objective is the modernisation and socio-economic development of the city by implementing five service models: e-Administration, e-Citizen, e-Tourism, e-Companies and e-Learning.
- In Argentina, Telefónica has undertaken *Digital City* developments in regions such as like Mar del Plata and Pergamino. Moreover, a project signed in 2003 but completed in 2004, connected all branches of the College of Notaries of the Province of Buenos Aires in a virtual network, thus reducing the time

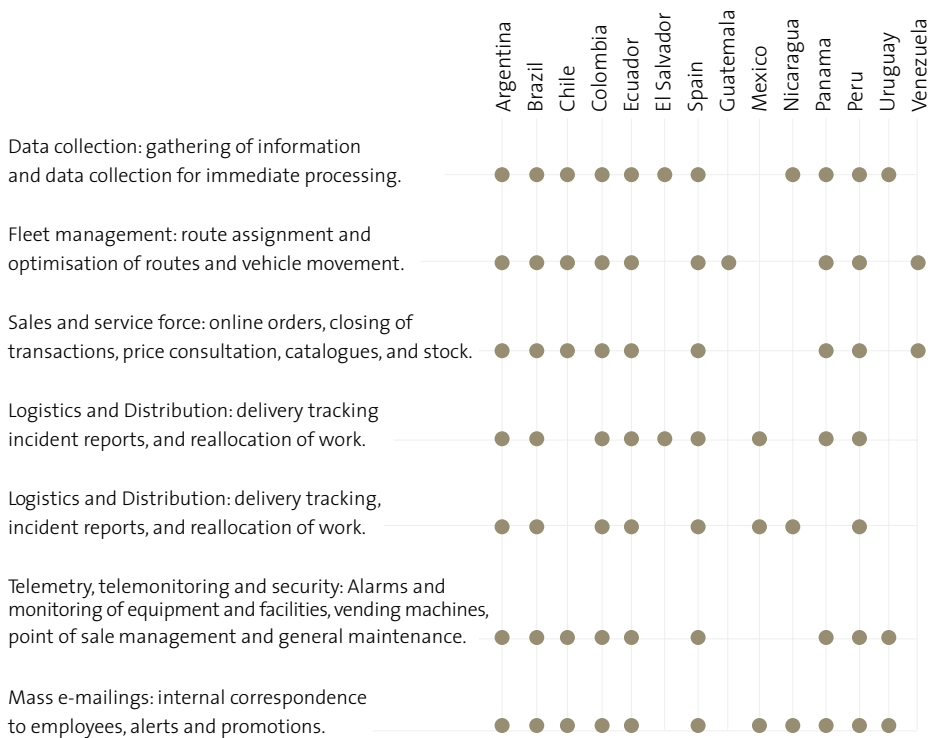
required for processing documentation and adopting a modern digital signature system for documentation processing. Other participants in this project included the research teams from the Universidad Nacional de La Plata and the Universidad Tecnológica Nacional.

- Telefónica CTC Chile entered into agreements with organisations such as the *Asociación Chilena de Municipalidades*, the body that groups together the country's 345 communal governments and which now has a special provision of technological services.

Moreover, Telefónica Empresas Brasil currently connects over 6,000 Public Administration buildings in the State of Sao Paulo in 645 State municipalities, facilitating the connection of 70 government bodies.

- In Brazil, online trials are now a reality thanks to the interconnection between regional penitentiaries and the courts. Another noteworthy project enabled online voting in several parts of the country, including towns that were so far away that a satellite connection was necessary for counting online votes.

MOBILE TELECOMMUNICATION SERVICES FOR BUSINESS CLIENTS (07- 11)



CASE STUDY

FOSTERING SME DEVELOPMENT IN ARGENTINA (07-12)

SME Observatory and SME Training (Telefónica de Argentina)

The SME Observatory participates together with the Ministry of Economy in the analysis of the evolution and degree of information technology development in SME's in Argentina. Telefónica also implemented a training program (called Capacitación Pymes, SME Training) in 77 SME's in the wine, food, automotive, construction and textile sectors, reaching a total of 700 employees in these areas.

SME Training (Telefónica Móviles Argentina) contributes to SME's by providing them with free access to information and general training. There are several programs that meet this goal:

- *Programa Creciendo Juntos* (Growing Together Program): Free day-long seminar addressing sales-related issues, management and service quality
- Talks on the Economic Situation: Free half-day seminar conducted by the chief economist of the Argentinean Chamber of Commerce.
- Marketing Seminars: Free half-day conference conducted by specialist Alberto Levy.

Empresas en Expansión (Companies in Expansion Program) (T-Gestiona)

T-Gestiona Argentina developed the Companies in Expansion Program which entails a comprehensive service that considers all activities directly and indirectly related to International Trade. The program is structured around 3 components: i) Consultancy ii) Export Promotion and iii) International Distribution.

Through this program, T-gestiona offers companies consultancy services in the area of foreign trade regulations, as well as legal and technical information related to the activity. In order to enable companies to promote awareness of and position their products abroad, the following services were made available: multimedia services, presence in guides, e-business tools and e-marketplace websites and activation of international contacts

Added value services for SME's

- These are implemented through collaboration with developers and businesses in other sectors.

-Telefónica Móviles España has also launched the SME Support Office, service, which identifies public subsidy programs suitable for mobility projects appropriate for SME's.

-In 2004, Telefónica signed an agreement with the Brazilian Ministry of Development, Industry and Trade for the establishment of 20 information and business tele-centres. These tele-centres will be installed in 2005 at the headquarters of representative entities of micro and small businesses and will include training, e-commerce, information searches and public and private services available through electronic means.

- Telefónica's capacity for technological development and business leadership is added to these specific support-centred actions with a view to providing specific solutions, particularly those related to ADSL Solutions, which enable small and medium sized companies to increase their productivity.

Generic solutions for companies***Multi-business services***

- Tele surveillance services: allow images recorded by an IP camera to be observed from any type of Internet connection, thus offering numerous possibilities in the areas of education as well as warehouse, plant and nursery school security.
- Videoconferencing: enables virtual meetings to be held, transmits high quality audio and video in real time and does not require a PC, as a connection can be established through any television set.

CASE STUDY**MOBILE TELEPHONY AS A TOOL USED TO COMBAT GENDER VIOLENCE (07-13)**

With the goal of combating gender violence, Fundación Telefónica and Telefónica I+D have been working since 2000 on a tele-assistance system that allows the location and assistance to abused women who are in danger of further aggression.

The system is comprised of terminals that outwardly appear to be conventional mobile telephones, which enable not only normal voice conversation but also provide the location by GPS and GSM cells, thus reducing response time for law enforcement agencies. The system is completed by a control centre installed at the local police station, in the form of a computer that undertakes the geographical location, reception of messages and records the calls received. Its proper functioning requires that the women and participating police officers attend training courses.

In 2004, the program was expanded to Avilés, Baracaldo, Elche, Motril and Santander, as well as already existing services in Gijón, Palma de Mallorca, Pamplona, Valencia and La Rioja, where some 105 terminals have been distributed, 90% of which already in the hands of users. Moreover, further solutions for abused women have been undertaken through an agreement between Telefónica Móviles and Fundación Telefónica.

- Telefónica presented the book *Teletrabajo: Trabajar y vivir la Red* (Teleworking: Working and Living on the Net) a volume that analyses this form of labour and the cultural changes which it promotes; it entails new kinds of professional relationships and a new organizational scheme for work.
- The new *Geolocalization* service offered by Telefónica de España enables companies to know the physical location of their vehicles and personnel at all times, provided they have a mobile telephone with coverage within the country. This allows companies to obtain maximum optimisation of their mobile resources, while at the same time improving their business processes. Furthermore, the service increases individuals' safety (avoids distracting the driver with calls), streamlines company resources (enables access to the resource closest to the need e.g. the nearest ambulance in the event of an emergency) and periodically notifies the user that he or she may be located (the service requires the consent of the user who is being located).

Agricultural Services

- In 2004, Telefónica Empresas Argentina introduced the *VSAT Agro* product into the market, which allows small and medium sized businesses in the agricultural and livestock sectors to benefit from satellite broadband Internet access.

Sales force support

- For companies with personnel working outside of the company premises, Telefónica launched a product that allows companies to provide their employees with broadband Internet access and calls made free of charge from their homes to the company.

Health sector

- During the 2004 *MovilForum Fair*, Telefónica *Móviles España* launched the *Salud Móvil* (Mobile Health) initiative in order to foster the creation of new mobile services in the

public health sector, due in large part to *GPRS/UMTS* technologies.

- In *Movilforum's* fourth year, 14 projects in the public health field were presented, each developed by different members; notable among these projects are:

-*Hércules Emergencias*, developed by Telefónica I+D, manages emergency health assistance services.

-*GesAmbu*, ambulance fleet management system

-Automation of medical procedures, through a PDA device with access to the mobile telephone network.

-*Management of hospital appointments*, a project that enables appointment requests and consultations for all medical specialities in the hospital or day centre where the application is installed.

Construction sector

- At the *Salón Inmobiliario de Madrid (Madrid Real Estate Fair)*, Telefónica presented *Vivienda inteligente* (Intelligent Home), a solution that incorporates home domotics applications through the ADSL line. Telefónica's aim is to guarantee the user greater comfort, security, energy savings and ease of communication in the heart of the modern home.

Emergency assistance

The section devoted to Telecommunications and Sustainable Development in the Corporate Responsibility area of the Telefónica website analyses the impact of telecommunications on emergency situations:

- Thanks to the possibilities offered by tele-assistance, localisation and information, the mobile telephone is becoming an essential tool for services related to citizen assistance in general and emergencies in particular.

MAIN COMPONENTS OF THE UNIVERSAL SERVICE EXPENSES (07-14)

	Amount (millions)	Local currency	Exchange rate	Euros
Spain	198	Euro	—	198
Brazil	137.82	Brazilian real	3.63	37.79
Peru	27.832	Peruvian nuevo sol	4.08	6.82
Argentina	12.85	Argentinean peso	2.65	3.5
Total				246.11

- Observing applicable legislation in each country, all operators in the Group provide free access to emergency service organisations and entities rendering assistance services. Furthermore, the applications which enable the automatic localisation of active telephones within their cell are becoming a key tool employed in the localisation of people in emergency situations and individuals who have lost their bearings, vehicle recovery, etc.
- Of note are the special 24-hour services, implemented in certain countries, which offer all types of aid and information in the event of accidents which occur in the home or on roadways and during mechanical breakdowns; along with these services provided by telephone, medical and legal assistance is also offered. This type of service is available in Chile, Colombia, Ecuador, El Salvador, Spain, Guatemala, Mexico, Nicaragua and Peru.

03 DRIVING DIGITAL INCLUSION

The concept of the digital divide is defined as existing differences in access to new technologies. However, digital technology in itself is not responsible for the digital divide. The main factors contributing to this divide are the establishment of communication infrastructures throughout the entire country, as well as income levels and access to training to use the new technologies.

Telefónica, in its position as reference operator in its markets, and in fulfilment of its commitments to proximity and reliability, not only complies with regulations associated to the universal service, but also undertakes numerous initiatives aimed at reducing the digital divide within its spheres of influence.

In 2004, the Telefónica Group distributed copies of the book *Inclusión Digital, con la Palabra a la Sociedad* (Digital Inclusion, With Words to Society) throughout Brazil. The book highlights the main digital inclusion initiatives implemented in Brazil that have been promoted by the government, NGOs and private enterprises. The publication is a useful tool to move forward in the elimination of the digital divide.

a) Regulations in force: Universal service**Universal Service in Spain**

Up to present, in Spain, Telefónica de España has assumed the net cost of providing the universal service, which in addition to offering telephone service, including Internet access at an adequate speed, entails a series of obligations of an eminently social nature, such as a special social rates, special services for the disabled, described at the end of this chapter, a telephone information service available at a reasonable price and provided free of charge from public phones, free telephone guides for customers and an ample number of public phones.

CASE STUDY

AVAILABILITY OF TELEPHONY IN PERU (07-15)

Telefónica is the only company that offers its services at the national level in both rural and urban areas. Regarding fixed telephony, operators from the competition basically offer their services to the corporate sector in Lima. The Internet service offered by Telefónica in Metropolitan Lima is the same as that offered in the provinces.

Approximately 2.2 million users of the rural network deployed by Telefónica del Perú according to the Concession Agreement benefit from rural coverage services, while in December 2004 the number of rural public telephones totalled 3,935 (and 4,013 lines). In October 2004, of the 1,829 districts in the country, 1,395 now have fixed telephone service.

The net cost of the universal service operations in 2003 came to 198 million euros according to Telefónica de España. This cost is divided between the net cost in non-profitable areas (122 million euros), users with special needs (64 million euros) and the cost of information and directories (12 million euros). The Telecommunications Market Commission (CMT) has not yet ruled on the final Net Cost to Telefónica in 2003.

The net costs for 2003 do not encompass the total cost which compliance with these obligations entails for Telefónica de España. Due to methodology established by CMT, associated losses are compensated, on one hand, by maintaining 20,017 phone booths in locations where their use does not cover their maintenance cost, which amounts to 76 million euros.

Universal Service in Latin America

In Latin America, Telefónica companies collaborate with the different public initiatives to universalise the service, with a contribution of nearly 50 million euros to the universalisation funds:

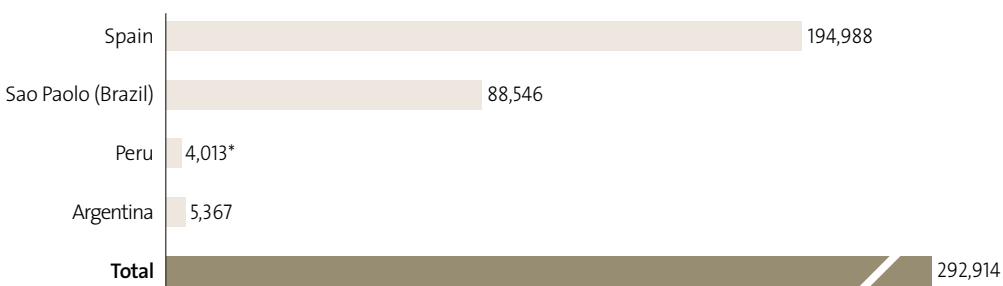
- In Argentina, despite the fact that the Fondo de Servicio Universal (Universal Service Fund), to which it is foreseen that the operators will contribute 1% of their turnover,

has not yet been established, Telefónica de Argentina has been providing services at a loss. From 2001 to March 2005, Telefónica has provisioned 33.04 million euros.

- In Brazil, the Fondos de Universalización de los Servicios de Telecomunicaciones (Telecommunications Services Universalisation Fund, FUST) is comprised of 1% of the gross operating turnover. Since the creation of the FUST, its funds have not been put to use by the government. A new service called Servicio de Comunicaciones Digitales (Digital Communications Service, or SCD) was put to public survey with a view to introducing broadband into the schools, hospitals, etc. and which would be financed by the FUST funds.
- In Chile, CTC is performing service and application promotion programmes on its own account (e.g. providing Internet access to 5,500 schools) to complement the programmes by the Fondo de Desarrollo de las Telecomunicaciones (Telecommunications Development Fund, FDT) financed directly by the Government.
- In Peru, the Fondo de Inversión en Telecomunicaciones (Telecommunication

NUMBER OF CUSTOMERS BENEFITING FROM RURAL TELEPHONE SERVICES (07-16)

(December 2004)



*Including data on public lines in rural areas

COVERAGE PROVIDED BY TELEFÓNICA MÓVILES NETWORKS (07-17)

	Population coverage (%)	Base stations in rural areas (%) **
Argentina	90	16
Brazil	87 *	
Chile	95.4	
Colombia	70	5
Ecuador	73	40
El Salvador	72	66
Spain	99	
Guatemala	49	
Mexico	72	17.7
Nicaragua	60	
Panama	70	38
Peru	53.5	
Uruguay	70	11
Venezuela	89.5	7

(*) Calculated using data from Vivo's areas of operation.

(**) In towns with less than 5,000 inhabitants

Investment Fund, FITEL), was established through the contributions made by the operators equivalent to 1% of their total gross turnover. Telefónica del Perú, due to its position in the Peruvian market, has made a significant contribution to this fund, aimed at establishing services in rural areas and other places of preferential social interest.

b) Actions against the geographic divide

The geographic divide can be described as the barrier which prevents individuals from accessing basic forms of communication or broadband as a result of the physical location from which they wish to access these services. This gap may be international (services which are available in some countries and not others) or national (services which are available in certain areas and not others).

Basic telephony

Telefónica provides communication services to communities that are located in rural zones at

the same price as services in urban areas. In December 2004, nearly 195,000 customers benefited from this service in Spain, as well as almost 100,000 in Latin American countries.

In certain locations, customers only have the mobile communication alternative available to them. As an integrated operator, Telefónica alternates the use of fixed and mobile resources in order to serve its customers. On average, population coverage of Telefónica Móviles reaches 79% of the population in countries in which it operates.

- In Spain, universalisation of basic telephone service was achieved in the past due to the radio technology known as TRAC, a solution with presents serious disadvantages for Internet access. The TRAC Migration Project is a Telefónica de España and Telefónica Móviles España joint initiative which consists of providing voice and data services via radio utilising GSM and GPRS systems, to areas of low population density.

- In Mexico, Telefónica Móviles covers 26,000 km of roadways where mobiles are the only communication option. In December 2004, the Telefónica Móviles network covered 28,300 rural towns with less than 2,500 inhabitants.
- In Ecuador, it is estimated that in areas outside of the provincial capital and main cities, where fixed telephony companies cannot offer residential telephony services or where these services are very limited, some 600,000 people have mobile telephony service.
- In Brazil by the end of 2004, Vivo had extended its network to 62% of the municipalities in states where it operates.
- In Venezuela, mobile telephony represents the only communication option for 3.6% of the population, distributed among 738 towns with less than 5,000 inhabitants for a total of 888,000 inhabitants.

Broadband

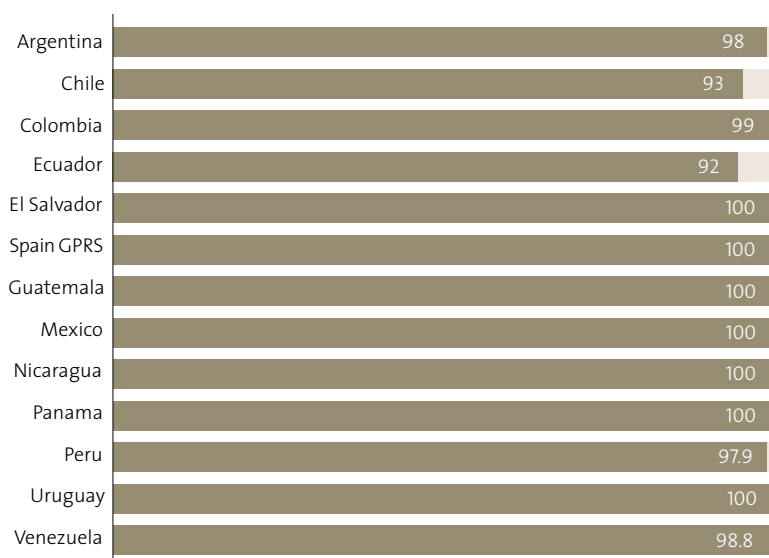
Investments made by Telefónica de España have increased the already significant ADSL coverage to 95% of lines, placing Spain in a position that is increasingly closer to attaining total broadband accessibility.

Investment efforts undertaken in Latin America to promote broadband are reflected in the digitalisation of the telephone system, which went from 96.1% in 2005 to 99.5% in 2004, particularly due to improvements in TeleSP (93.62% to 99.78%) and Telefónica del Perú (96% to 97%). Telefónica de Argentina and Telefónica CTC had already digitalised 100% of their networks in 2000.

This network digitalisation has made it possible to reach a high level of coverage in broadband services on fixed telephone lines, up to 95% in São Paulo (Brazil) and Peru, 90% in Chile and 88.1% in Argentina.

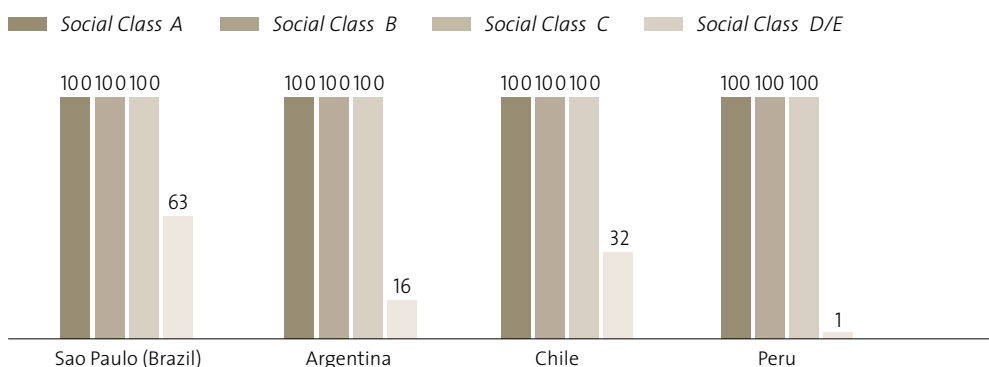
2.5G COVERAGE ON TELEFÓNICA MÓVILES NETWORKS (07-18)

(Data in percentage)



ESTIMATION OF LATIN AMERICAN HOUSEHOLDS ABLE TO PAY THE BASIC STANDING FEE* (07-19)

(Data in percentage)



(*) Assumes a maximum of 4% of earnings in telecommunication expenses and the basic standing fee of each country, which then determines the minimum income a household must have to be able to afford this expense.

Telefónica del Perú has launched the Llaqt@red project in order to incorporate rural areas in the country and provide them with access to information and international markets. The first stage of the plan provides service to 20 towns, providing continuous Internet access for a flat rate. This project was acknowledged in the Public Service category of the Creatividad Empresarial (Corporate Creativity) event held in Peru in 2004.

In line with the aim of providing users with broadband access in different locations via numerous devices, Telefónica de España finished 2004 with 350 Wi-Fi service points (Hot Spots or ADSL Wi-Fi Areas). In 2004, Wi-Fi ADSL Solution coverage areas provided high-speed wireless Internet access to close to 22,000 users in Spain. Additionally, 1,200 spots had been installed in Argentina, Brazil and Chile by December 2004.

Rural Internet via Satellite, offered by Telefónica de España, is an alternative broadband service for areas where neither fixed nor mobile coverage exists. A survey conducted on this service by Red.es revealed a high level of satisfaction among customers, the vast majority of which are schools located in rural areas. Of the respondents, 89.6% consider their access speed to be good to excellent, 92.8% value service availability and 86.4% highly rate overall satisfaction of Internet access via satellite.

Moreover, thanks to the new generations of mobile telephony and using the mobile telephone connected to a PC or PDA, mobile Internet has become a real alternative that offers society the option of broadband Internet connection from anywhere within the coverage areas. The high degree of incorporation of 2.5G technologies in the networks of Telefónica Móviles operators, reaching an average of 99.4% of the total Group infrastructures, contribute substantially to reducing the digital divide. In terms of the third generation, Telefónica Móviles' UMTS network coverage was over 40% of the population in Spain at the end of 2004.

c) Actions against the economic divide

The social rate, together with prepaid plans, public telephony and restricted service lines are the fundamental pillars on which Telefónica has based its deployment of services aimed at low-income groups. According to studies conducted by the Group, such initiatives are necessary to encourage digital inclusion, as social classes D and E (those with the lowest incomes) would find it difficult to meet the basic standing fee otherwise.

Thus, it is essential to offer products and services according to the social and economic situations existing in the countries in which Telefónica operates, so as to satisfy the needs of those sectors which, because of economic reasons, cannot access telecommunication services.

Social rate

Telefónica de España offers the Social Rate in order to provide access to basic telecommunication services to customers in Spain with limited economic resources. It consists of a discount of 70% on the current connection fee, installation of the network terminal equipment (PTR) and a 95% discount on the monthly telephone line fee (free of any maintenance contract). A total of 386,430 persons were benefiting from the Social Rate in Spain in December 2004.

Prepaid plans

The system of billing by prepaid options and the reduced cost SMS service have been determining factors in the extension of mobile telephony to all social strata, as reflected in figures which indicate the use of these services. The strategy employed by Telefónica Móviles has always been to attain the largest customer base without focusing exclusively on the segments with the greatest purchasing power.

With this strategy, business policies have always been based on the reduction of terminal costs - Telefónica Móviles provides its

own low-cost terminals - and the availability of a variety of billing methods which have enabled millions of customers to choose the formula best suited to their communication needs and economic level.

Public telephony

Public telephony is yet another alternative to the home telephone in providing access to communications to the entire population, eliminating the need to pay connection and maintenance fees. A fact worthy of note is that in Spain there are currently 2,361 public telephones providing Internet access.

Lines adapted to users' resources

Argentina

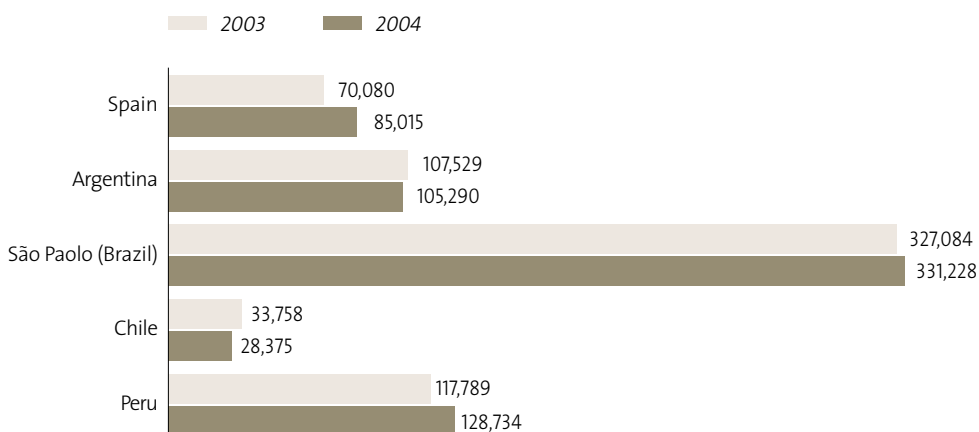
The increase in the take-up of basic telephony services in low-income segments in Argentina is founded on the development and provision of products tailored to the needs of the consumer and their budgets. As a result the Company designs products suited to their income levels. These include the following:

- Linea Control Plus: Similar to the above, but encompasses local, regional and international calls with savings and cost control.
- Telephony services with discounts for low-usage customers (retirees and Shelters)
- Social public telephony for welfare organisations (canteens, training centres, etc.)
- Bonus-call and Internet-access plans for schools, libraries, fire services, community technological centres, retirement homes, hospitals, etc.
- Upcoming launch of the virtual telephony service, a mailbox available to beneficiaries of the Heads of Household Plan as part of the government's support programme for the unemployed.

In 2004 the number of customers using our specially designed low-income services rose to more than 1,200,000, including 507,350 prepaid lines and 693,131 cost control lines.

PUBLIC TELEPHONES. TELEFÓNICA GROUP (07-20)

(Data in units)



Brazil

In 2004, two specially designed products for people on low incomes were launched in Brazil. With the *Linha da Economia* the fixed line maintenance charge is equivalent to two-thirds the charge for a standard line, and with the *Linha da Super Economia* the maintenance charge represents one third that of a standard line. Both modes are for local calls. As regards long-distance calls and calls to mobile phones, customers can use prepaid cards to cut call costs.

No fewer than 1,447,687 customers benefited from the *Linha da Economia* in 2004 and a further 102,279 from the *Linha da Super Economia*. Moreover, 391,342 customers experiencing economic difficulties were also able to adjust their payment plans.

With a view to promoting Internet access for low-income groups, TeleSP and Fundación Telefónica began building tele-centres in city suburbs so that young people, children and adults could enjoy access to the virtual world for the first time.

Chile

In Chile approximately 420,000 homes belong to the D social group and cannot afford to pay the sign-up fee. The companies of the Telefónica Group have launched several programmes designed to allow low-income families to access telecommunications services:

- At the end of 2004, a total of 219,688 lines were assigned to the Full Variable, Línea Super Economica and Línea Control plans.
- *Cuenta Controlada and Plan Solución*: the *Cuenta Controlada* (Controlled Account) and *Plan Solución* (Solution Plan) services have now attracted 152,000 customers and offer prepayment solutions for SME's and residential customers behind with their payments or looking to cut their bills.
- Broadband access for community infocentres, and public and state subsidised schools.
- Prepaid card known as the Tarjeta Línea Propia. 12.9 million of these were activated in 2004.

CUSTOMERS WITH PREPAID PLANS AND SMSS SENT FROM TELEFÓNICA MÓVILES NETWORKS (07-21)

(Data in percentage)

Country of operation	% of customers with prepaid plans	Number of SMSs sent (million)
Argentina	63.2	466
Brazil	81.0	
Chile	86.0	213
Colombia	71.0	63
Ecuador	87.0	1,800
El Salvador	79.0	33
Spain	51.2	9,500
Guatemala	83.9	21
Mexico	94.6	268
Nicaragua	85.0	25
Panama	90.0	44
Peru	82.5	118
Uruguay	74.0	6
Venezuela	93.0	2,18

Peru

Throughout 2004, Telefónica continued to carry out an active campaign to publicise its prepaid telephone service, which has allowed thousands of households without the economic resources to access conventional telephone service. As a result, sales in 2004 were the highest since Telefónica arrived in the country in 1994, with over 400 million lines sold.

Thanks to this factor, the penetration of fixed lines over the number of households has jumped substantially, particularly in the D and E segments both in Lima and in the provinces. According to the latest survey on socio-economic strata conducted annually by the consulting firm Apoyo, the penetration of fixed telephone lines in Lima rose from 44% in 2003 to 57% in 2004.

At the end of 2004, the lines targeted at these segments – restricted use and prepaid lines – reached 57% of the total. Likewise, during 2004 the cost of fixed – fixed lines through 147 cards (Telefónica's prepaid card) was cut, thus directly benefiting over 30 million cards sold annually.

d) Initiatives combating the skills divide

The barriers that cause the so-called digital divide are not merely technological in nature. There are also skills and knowledge barriers that may prove more difficult to surmount, particularly in developing countries and among the elderly and disabled. In collaboration with its Foundation, Telefónica has been working on programmes designed to give people the skills they need to use new technologies.

One of the strategies most commonly employed by Telefónica is to promote the use of technologies among schoolchildren in each of the countries it operates in. The practical application of EducaRed and the Internet in schools are examples of this commitment, which aims to give Internet usage skills to primary and secondary pupils at both public and private schools.

One of the most common factors used to explain the high or low penetration of broadband in a particular region is the number of computers in that region. In 2004 Telefónica, in its capacity as a solid, trustworthy operator, offered PC & ADSL packages to many of its customers enabling them to take their first steps in the world of computers.

Disability is one of the many barriers that the Telefónica Group is working hard to bring down. Through projects such as Telefónica Accesible (Accessible Telefónica - described in more detail later in this chapter), Telefónica offers products and services that are specially designed to promote equal opportunities.

Below is a list of additional skills-oriented digital inclusion initiatives:

Argentina

- In Argentina, Telefónica and Telefé gave their backing to the creation of a series of informative short television programmes highlighting the opportunities offered by new technologies for the general public.
- Telefónica de Argentina and the provincial government of Mendoza signed an agreement by which the company will make available 15,000 hours of Internet browsing as part of a joint pilot scheme entitled the Virtual Technological Literacy Campaign.
- Fundación Telefónica de Argentina signed an all-encompassing agreement with the City of Buenos Aires' Department of Education to sponsor education projects based on mutual cooperation.

Brazil

- In Brazil, Telefónica is working closely with the Brazilian Ministry of Development, Industry and Trade to set up 20 information and business tele-centres as a means of enhancing digital skills in the country's micro companies.

CASE STUDY

DIGITAL INCLUSION FOR THE ELDERLY (07-22)

Telefónica is fully aware that technology can greatly improve the quality of life of the elderly and infirm. It also addresses the problems they face in terms of accessibility to communication services and any possible skill divides detected.

- *Telefónica Móviles España* launched a campaign specifically directed at the elderly people of Spain. The promotion included an easy-to-use telephone, cheaper rates and MoviStar's *Localízame* service that can be used to identify the location of a particular mobile phone with the consent of the user.
- Telefónica de España has relaunched the *Teclón*, a telephone keypad with large keys that responds to the needs of people suffering from long-sightedness and fine motor function problems. In November 2004 it also launched the *VideoTeléfono*, which has a screen allowing users to see each other.
- *Telefónica's Association for the Elderly* is a non-profit organisation representing nearly 3,000 of the Company's ex-employees. Both Fundación Telefónica and ATAM have partnership agreements with the Association and have set up a number of initiatives including computer courses for the aged.
- In 2004 Fundación Telefónica, in conjunction with the *Neurosciences and Ageing Foundation*, set up a channel for research into degenerative neurological illnesses such as Parkinson's and Alzheimer's, multiple sclerosis and cerebro-vascular accidents among others.
- ATAM's 2004 preventive campaign dealt with information for early detection of Alzheimer and other similar disorders affecting people over seventy. This campaign had the support and technical validation of the Spanish Society of Geriatrics and Gerontology, through the agreement signed by both entities. It is important to note that 34% of ATAM members are either retired employees or persons who took early retirement from the Telefónica Group companies. In addition, ATAM and QUAVITAE, a company engaged in social and health services management for the dependent elderly, have signed a collaboration agreement by which QUIVITAE has made its services available to members of ATAM throughout the country, offering special preference in taking up vacant places and discounts in the fees charged by their institutions.
- In 2004, Fundación Telefónica also gave its support to the first Spanish-language portal in the world dedicated to the elderly and the problems they face: www.jubilo.es. The website contains over 3,000 pages of information and content and receives an average of 8,000 hits a day.

CASE STUDY

PUBLIC TELEPHONE BOOTHS IN PERU (07-23)

A phenomenon which is noted internationally in statistics on telecommunications and the Information Society is the large numbers of people who access the Internet in Peru. This situation is explained by the development and pervasiveness of public Internet booths throughout the country, with special emphasis given to regions with low-income households.

The Peruvian Internet booth

Approximately four types of public Internet booths can be found in Peru: those established for commercial reasons (for the purpose of obtaining a profit on the service), those existing as a result of municipal or local government initiatives, those promoted by universities and other institutions of higher learning, and those set up in primary and secondary schools.

Of these four types of booths, the one that has experienced the most marked boost and which has an identity of its own is the booth developed with the aim of obtaining a profit; this public Internet access model was employed by small businessmen throughout the country and implemented with a high degree of dynamism.

The first public booths appeared in 1994 as a model of community Internet access directed by the Red Científica Peruana (Peruvian Scientific Network, RCP). Current estimates place the number of for-profit public booths at more than 10,000. Most of these booths opened in the past two years due to the impulse given by broadband connections as a result of the introduction of ADSL services.

The user

Another factor has been the cultural change produced with the advent of public booths. Districts located on the outskirts of the capital with low-income segments (where the vast majority of the population of Lima is concentrated) are being drawn to the Internet and the number of Internet users has increased in these areas. Users employ Internet to access or send information for personal use. They access the Internet for communication purposes (92%), to download material (81%), to search for information (67%), entertainment (59%), academic purposes (56%), tourism (25%), finances (14%) and transactions (7%).

In recent years, Peru has experienced a significant emigration movement, especially among citizens with limited resources. As a result, communication between family members and emigrants is another use often detected, whether via e-mail or long-distance calls made over the Internet. It is interesting to note that these services are used even when the person using them does not have extensive knowledge of these tools. Assisted by booth personnel, senior citizens belonging to the lowest socio-economic segments use these services to communicate with the more than two million Peruvians who have left the country.

EDUCATIONAL INTERNET IN CHILE (07-24)

Since 1998, *Telefónica CTC* and *Terra* have been providing free Internet connection through switching accesses to 5,500 public primary and secondary schools. In December 2004, 2,560 educational institutions participating in the *Educational Internet* programme had migrated to ADSL broadband technology through the installation of 3,266 ADSL accesses.

The *Educational Internet* service is free of charge for institutions that keep the switch access and their preferential value through multi-user broadband (1 Mbps) was 34.5 dollars in 2004. In 2004, Telefónica CTC contributed the equivalent of 4.68 million dollars to switched access to the Internet in schools, taking into consideration IP traffic and ISP payment.

The *Educational Internet* programme has provided access to the Internet and the new technologies to young students in Chile, as well as to their teachers. Thus, the initiative favours digital inclusion of this segment of the population, for whom the Internet is simply one more resource in their training and their options for future development.

Chile

- Telefónica CTC Chile, in conjunction with Fundación Telefónica, is working hard to promote digital literacy in the country by creating permanent and travelling workshops in partnership with Microsoft, Olidata and the Pontificia Universidad Católica of Chile's Vida Rural Foundation. These specially adapted programmes have had a huge impact on the quality of life of the 85,000 people who have benefited from them up to 2004. This amount represents 24% of the total number of people who have become digitally literate in Chile as a result of these government-backed courses.
- Digital literacy and Internet-skills schemes were also introduced for business people running small enterprises: training initiatives focused on e-billing and presentations on the added value IT provides in the management of micro and small companies.

Spain

- Through the Spanish Association for the Elderly, Telefónica de España provided premises, telephone lines and a grant to help set up computer training courses for the aged.

Peru

- The role of the telephone booth controller is very important in Peru as they are responsible for providing essential information to customers and handling their queries and enquiries.

Lastly, on certain occasions training is not focused on technologies but on business initiative and basic skills that can help combat social problems in some of the countries in which Telefónica is present.

04 DRIVING SOCIAL DEVELOPMENT

a) Main Figures

The Telefónica Group plays a vital social and cultural role in all the countries where it operates. Its activities in these areas are channelled as follows:

- Fundación Telefónica is working with several civil organisations on various projects in Spain, Argentina, Brazil, Chile, Morocco, Mexico and Peru. In the Foundation's eyes, the application of new ICTs is fundamental to raising education standards, improving access to culture, developing society and enhancing quality of life, with particular attention focused on the most disadvantaged sections of society.
- ATAM, Telefónica's association for assistance to the disabled, receives contributions from nearly 62,000 employees, a figure that is doubled by the contribution made by the Company itself.
- Lastly, other Group companies are also engaged in non-profit schemes designed to foster the social and cultural development of the countries in which they operate.

Fundación Telefónica

In its desire to raise living standards and to focus its attention on the demands and requirements of society, in 2004 Fundación Telefónica continued to give its backing to a broad range of educational, social and cultural schemes forming part of specific programmes and projects by investing a total of 25,011,000 euros in them.

The 238 programmes and projects sponsored by Fundación Telefónica can be divided into six major areas of activity: Education; Cooperation and Social Development; Telemedicine, Tele-assistance and Disability; Culture; Art and Technology; and the Information Society.

BUDGET FOR THE TELEFÓNICA GROUP'S SOCIAL AND CULTURAL PROGRAMMES (07-24)*(In thousands of euros)*

	2003	2004
Fundación Telefónica España	17,548	16,525
Fundación Telefónica Latinoamérica y Marruecos	5,929	8,490
Total Fundación Telefónica	23,477	25,011
ATAM*	9,111	8,983
Other Group social and cultural initiatives	14,271	12,500
Total Telefónica	46,584	46,498

*Contribution from the company complementing the contribution from Telefónica employees.

A total of 756 different bodies and agencies have helped implement these projects, which have benefited more than 25,000 organisations and over 26 million people.

In addition to the descriptions of the main projects set out in this chapter, detailed information on the projects sponsored and implemented by the Foundation can be found in Fundación Telefónica's 2004 Report and at the website, www.fundacion.telefonica.com.

ATAM

ATAM was founded in 1973 by a committed group of Telefónica employees that attracted the support of the company's medical and social welfare services, the Telefónica Medical and Social services, the Telefónica Preventive Institute and workers' union representatives. In 1974 the organisation was included in Telefónica's collective bargaining agreement. The Association's bylaws define its governing boards and operating mechanisms.

ATAM is funded largely by voluntary donations made by nearly 62,000 employees and 23 companies of the Telefónica Group. Employees contribute 0.2% of their salaries with the companies doubling that amount. In 2004, the companies of the Telefónica Group donated a total of 8,983,350 euros to ATAM.

This amount includes both contributions from the companies forming part of the Association (0.4% of the salaries they pay) and those made by the Company for retired and former workers of Telefónica de España and workers taking early retirement, as well as contributions covering the operating costs of the governing boards detailed in the bylaws.

Details on its activities are available at www.atam.es, in its Annual Report available at www.telefonica.es/publicaciones, and in the section Caring Employees in chapter six of this report.

Other social and cultural projects implemented by the Telefónica Group

The companies of the Telefónica Group are engaged in a number of social and cultural projects that support Fundación Telefónica's programmes.

In 2004, a total of over 12.5 million euros was set aside for projects of this type. Some of the most significant sponsorship schemes were as follows:

- *Sponsorship of the Xacobeo* (Holy Year of St. James) 2004
- Telefónica Móviles' Proniño project, initially set up by Bellsouth's operators, with the aim of providing schooling for children in Latin American countries.
- Conferences and meetings on social issues such as *La Tercera Nación* (Third Nation) in Tijuana, Mexico.
- Theatre events such as the season at Madrid's Teatro Real, or musical events including the 2004 season of concerts by the *Society of Artistic Culture in Brazil*.
- Events held to celebrate the 25th anniversary of Democratic Town and City Councils in Spain.
- Artistic and cultural exhibitions such as the Gaudí Exhibition or the Maestros of Modernism in Brazil.
- Events held to raise awareness of social problems (1st Telefónica Móviles España Festival of Fellowship) or to raise money in other countries (*Teleshons* organised in several countries in Latin America).
- Support for foundations and awards such as the *Principe de Asturias Awards*

CASE STUDY

HOW DO WE GO ABOUT CALCULATING THE NUMBER OF PEOPLE/ORGANISATIONS BENEFITING FROM THE FOUNDATION'S PROJECTS? (07-25)

The following indicators have been used to calculate the number of beneficiary organisations:

- Social, welfare and cultural entities benefiting from the support or collaboration of Fundación Telefónica.
- Entities participating in public announcements or calls for proposals.
- Entities registered for Fundación Telefónica's Internet programmes (*EducaRed*, *Risolidaria* and *Merc@dis*).

The following indicators have been used to calculate the number of individual beneficiaries:

- Beneficiaries of social and welfare projects (disabled people, the elderly, people at risk of social exclusion and their families etc.).
- Participants in face-to-face and online courses.
- Participants in public announcements or calls for proposals.
- Participants in social, welfare or cultural initiatives.
- Visitors to Fundación Telefónica's websites and other portals developed with the technological assistance of the Foundation.
- Visitors to exhibitions, museums and other cultural institutions either managed or supported by Fundación Telefónica.

Both figures (the number of entities and participants/beneficiaries) are based on the data provided by the information system the Foundation uses to monitor the programmes and projects it conducts, as well as the data provided by the organisations collaborating with and participating in our programmes.

OPINIÓN DE EXPERTOS DE ENTIDADES EDUCATIVAS, SOCIALES Y CULTURALES (07-26)

With a view to increasing the transparency of the activities that the Telefónica España Foundation engages in, and to gauging and comparing the opinions and viewpoints of the people and the educational, social and cultural organisations participating in or collaborating with the Foundation in its major programmes, a series of working meetings were held to allow the Foundation to collate data and information it can use to complete and enhance its programmes and its future relations with organisations.

A total of seven working meetings were held. These were attended by 32 specialists representing 25 organisations. The meetings looked at a range of issues including the educational programmes *EducaRed* and *CampusRed*; the programme *Telecommunications Equipment for ONL*; the platform *International Solidarity Network (Risolidaria)*; the Telefónica Group's Corporate Voluntary Scheme; *Merc@dis*, the employment portal for disabled people; and the temporary art exhibitions held at *Fundación Telefónica's Art Centre*.

The Foundation's Annual Report for 2004 features a brief summary of the main conclusions and assessments reached by each group of experts.

BREAKDOWN OF FUNDACIÓN TELEFÓNICA PROJECTS BY AREA OF ACTIVITY (07-27)

Area of Activity	Spain	Other Countries	Total
Education	8	22	30
Cooperation and Social Promotion	15	43	58
Telemedicine, Telecare and Disability	24	30	54
Culture	6	14	20
Art and Technology	28	31	59
Information Society	17	—	17
Total	98	140	238

BREAKDOWN OF ENTITIES ASSISTING WITH FUNDACIÓN TELEFÓNICA PROJECTS (07-28)

Area of Activity	Spain	Other Countries	Total
Education	63	39	102
Cooperation and Social Promotion	409	62	471
Telemedicine, Telecare and Disability	50	40	90
Culture	23	6	29
Art and Technology	26	26	52
Information Society	12	—	12
Total	583	173	756

BREAKDOWN OF ENTITIES BENEFITING FROM FUNDACIÓN TELEFÓNICA PROJECTS (07-29)

Area of Activity	Spain	Other Countries	Total
Education	11,281	8,384	19,665
Cooperation and Social Promotion	1,543	988	2,531
Telemedicine, Telecare and Disability	1,658	978	2,636
Culture	26	96	122
Art and Technology	26	36	62
Information Society	—*	—*	—*
Total	14,534	10,482	25,016

BREAKDOWN OF PEOPLE BENEFITING FROM FUNDACIÓN TELEFÓNICA PROJECTS (07-30)

Area of Activity	Spain	Other Countries	Total
Education	5,782,264	5,556,784	11,339,048
Cooperation and Social Promotion	1,726,573	609,243	2,335,816
Telemedicine, Telecare and Disability	3,983,993	275,005	4,258,998
Culture	483,780	3,197,287	3,681,067
Art and Technology	4,206,024	407,854	4,613,878
Information Society	—*	—*	—*
Total	16,182,634	10,046,173	26,228,807

* Information does not include participation figures as these are events organised in the main by third parties.

- Sponsorship of the 3rd International Language Conference.
- Support for research programmes and courses at Spanish universities.
- Patron saint celebrations and cultural events in a number of cities.

b) Education

With respect to education, Fundación Telefónica's main objective is to promote the development of education and equal opportunities by applying new ICT's to teaching and learning processes. The use of these new technologies, mainly the Internet, is therefore being promoted in all Fundación Telefónica's programmes and projects in these areas.

Always counting with the support of the education community, Fundación Telefónica creates innovative and powerful technological Internet platforms that use the most advanced tools and resources; it designs and promotes new teaching resources and innovations; it supports the training of teachers, students and parents in the use of new technologies; it invests its efforts in improving distance learning programmes; and promotes research exchanges and work through technological tools that can be used to create virtual communities.

In 2004, *Fundación Telefónica* was able to consolidate its primary and secondary education Internet portal (*EducaRed*) and its university training portal (*CampusRed*), both of which have become reference points for schoolchildren, university students and educational staff throughout Spain and Latin America. Furthermore, these portals continue to absorb the most useful and groundbreaking tools available in educational technology.

Fundación Telefónica has also implemented other programmes such as *Oficios en Red*, *FuTuRo* and *Aulas Unidas*, all of them aimed at

fostering quality and equal opportunities in education, both in the formal environment and in groups deserving of special attention: homeless and sick children.

Lastly, the Foundation's educational programme for 2004 was rounded off by its support of a raft of Spanish university and professional recognition and incentive initiatives in a number of fields linked to technology and social and cultural action.

c) Cooperation

Since it was founded, one of the main objectives pursued by Fundación Telefónica has been to make new ICT's a mainstay of cooperation and social promotion.

2004 saw the Foundation yet again reaffirm its objective of modernising the way in which the non-profit sector in Spain is managed by adapting and improving its telecommunications. In this respect, it responded to this challenge by introducing a programme to supply non-profit organisations with telecommunications equipment, which was supported by a call for public aid and the signing of various collaboration agreements. The programme has helped more than 360 Spanish organisations to significantly upgrade the efficiency of their activities, and thus help improve the quality of life of the groups of people with whom they work.

The International Solidarity Network (*Risolidaria*) provides an example of the Foundation's work in the areas of cooperation and social promotion. This platform comprises more than 700 organisations and its mission is to assist social organisations by setting up a network that helps them contact and work with each other. Fundación Telefónica also operates a group-wide voluntary worker scheme that has now attracted nearly 3,000 employees from the Group's different companies.

CASE STUDY

EDUCARED (07-31)

Since its inception in 1998, *EducaRed*, the Telefónica and Fundación Telefónica programme devoted to primary and secondary education, has continued to make its goal the promotion of educational use of information and communication technologies in the classroom, making the entire educational community aware of their potential value for teaching and education through the development of content and activities addressed at the three basic pillars of the programme: students, teachers and parents.

One of the most unique features of this initiative, whose principal vehicle of expression is its Internet portal www.educared.es, is that it is supported by the collaboration and active participation of 16 of the foremost institutions in the Spanish educational community, including professional associations, parents groups and labour unions.

In its seven years of life, the *EducaRed* website has become a reference point in its scope of activity, as proven by the 11,218 schools throughout Spain that have joined the programme, a figure that encompasses over 324,000 teachers and 4,070,000 students. An important note is that currently 54% of the schools connected to the Internet in the country are registered with this portal.

The number of participants registered with *EducaRed* grows each year, with 74% more visitors than in 2003, clearly evidencing that the Internet is increasingly more present in teaching. The global nature of the initiative is shown by the increase in hits each year from other countries, 68% more in 2004, particularly from countries such as Mexico and the United States.

After seven years of work, *EducaRed* is the Spanish-language educational website with the highest implantation in the Net. In fact, one of the main search engines in the Internet, Google, sends nearly 1,700 direct links to this portal, as well as ranking it as 5/10 in its Page-Rank.

Throughout 2004, *EducaRed* has continued to enrich its offer of contents and services, designed with the specific needs of the entire educational community in mind. Highlights of the innovations include the creation of the *Profesores Innovadores* (Innovative Teachers) and *Enseñar a Aprender* (Teaching how to learn) portals, access to the most complete encyclopaedias available and the latest version of the *Diccionario y Ortografía de la Real Academia Española* (Dictionary and Spelling Reference by the Royal Academy of the Spanish Language).

	Schools	Teachers	Students
Año 2002	10,911	305,851	3,918,291
Año 2003	11,091	311,143	3,986,142
Año 2004	11,218	324,033	4,073,889

Year	Number of EducaRed Hits
2001	583,096
2002	1,260,706
2003	2,717,975
2004	4,733,312

CASE STUDY

PROGRAMMES FOR THE SUPPORT OF WOMEN (07-32)**The São Bartolomeu Dressmakers' Cooperative**

Fundación Telefónica created the Income Generation Scheme for Women at the end of 2001 to support existing social initiatives promoting employment opportunities for female heads of family responsible for infants and children under the age of 18. It introduced a series of actions including training for these women, assistance in developing and marketing the products they make, in addition to training in management techniques and cooperative practices.

After three years, the dressmakers' cooperative, which now comprises 50 women, has posted many achievements, including: the creation of its own collection of clothing "Águas de São Bartolomeu", the opening of a shop selling its products, the presentation of its clothes at fashion events throughout the country, and the opening of its own head office. By 2004, this women's cooperative had become a profitable and self-sustaining business capable of generating salaries for its members above the minimum wage in Brazil.

Last year the initiative was named among the finalists of the 2004 EXAME Guide of Good Corporate Citizenship Awards.

Master in Gender Equality

In Spain, Telefónica has joined forces with the Universidad Complutense de Madrid, in its Master of Gender Equality Agents, a programme which is not only financial but also an educational initiative.

Under the slogan Ningún Cooperante Sin Comunicación (Communication for all Volunteers), the Foundation has made the most modern and advanced technology available for voluntary workers involved in cooperation and humanitarian relief programmes all over the world. During the last year, as well as enabling 10,400 Spanish missionaries and aid workers around the globe to get in touch with their families in Spain during the Christmas holidays, the Foundation also implemented a host of other initiatives designed to guarantee telecommunications services in countries experiencing emergency situations as a result of armed conflict or natural disasters, such as the tsunami that hit South East Asia.

Finally, Fundación Telefónica is giving its support once more to a variety of social organisations by providing the necessary technical resources for initiatives aimed at raising awareness and encouraging the participation of society.

d) Telemedicine, telework and disability

The overriding objective of Fundación Telefónica's telemedicine, tele-assistance and disability initiatives is to use new ICT's to improve the quality of life of the neediest groups, principally the disabled and the elderly. The activity of the Telefónica Group and Fundación Telefónica, in particular, in this field

involves vital R&D work mainly focused on increasing the access of these groups to information, communication, training and employment; enabling the provision of better healthcare and welfare services for the elderly, infirm, disabled and the vulnerable; and on helping improve health education and the prevention of illnesses and disabilities.

In 2004, Fundación Telefónica worked hand in hand with several prestigious social organisations to implement and support a number of projects for the disabled, including the following: *Merc@dis*, an employment website aimed specifically at the disabled; a unit demonstrating specially adapted equipment for disabled people at CEAPAT (National Centre for Personal Autonomy and Technical Aids); and the SICLA Project, which provides state-of-the-art technology enabling alternative communication.

As regards tele-assistance, initiatives include a localisation and help system for women at risk of domestic violence; and the Telesalud ADSL programme, designed to enable audiovisual contact between the elderly and medical professionals.

Fundación Telefónica has also joined forces with various social/health organisations in the field of telemedicine in the creation and technological maintenance of Internet portals

CASE STUDY

PROGRAMMES SUPPORTING CHILDREN AND YOUNG PEOPLE AT RISK (07-33)

a) The City of Rights (Brazil)

The space, City of Rights, available through the Risolidaria website and promoted by Fundación Telefónica, aims to explain the philosophies and policies promoted by the Children's and Young Persons' Statute (ECA) in an innovative, instructive, informative and enjoyable way.

b) The Rights Protection System (Brazil)

Fundación Telefónica and the National Council of Children's and Young People's Rights (CONANDA), part of the Brazilian Ministry of Justice, signed a partnership agreement within the framework of the Risolidaria platform. The agreement means that a series of working groups known as SGD (the Rights Protection System) has been set up for Risolidaria comprising CONANDA, the Human Rights Office, and the State Councils which oversee subgroups for the 27 Brazilian states. The SGD has a total of nearly 200 members.

c) The Pro-Direitos Programme (Brazil)

The Pro-Direitos programme, created in 1999 by Fundación Telefónica, provides financial and technical support for projects using new ICT's to create integrated networks safeguarding the rights of children and young people in the country. It works closely with the municipal councils by supporting their initiatives, and also promotes care networks for children and young people.

The project has assisted no fewer than 162 welfare organisations and over 38,000 children and young people at risk.

d) Medida Legal (Brazil)

The programme Medida Legal (Legal Measures) works towards a number of objectives: to guarantee the rights and improve the quality of life of young people at risk; to help combat social inequality and violence throughout the country; and to support the municipal councils as they go about their work.

The sums invested by Fundación Telefónica in the Medida Legal programme are used to support governmental and non-governmental projects designed to help 720 young offenders completing socio-educational monitored-probation programmes and performing community service work. These court-sponsored initiatives provide alternatives to custodial sentences and have proved to be extremely effective in cutting levels of re-offending among the young offenders benefiting from them.

e) FuTuRo (worldwide)

The FuTuRo project, set up by Fundación Telefónica in the seven countries where it is present, represents the first international initiative that aims to use new ICT's and values-based education and communication to encourage vulnerable children and young people staying at all types of children's homes to live healthy lives.

This project, which is tailored to the social and educational context of each country, allows hundreds of children and young people aged between 6 and 20 to discuss areas and issues such as growth, identity, healthy living, sexuality, sexually transmitted diseases and HIV/AIDS, drug addictions, healthcare resources and health centres: a virtual meeting and work network comprising 14 shelters for homeless children in seven different countries.

f) The Children's and Young People's Helpline (Peru)

In 1998 the Teléfono de Ayuda al Niño y Adolescente (the Children's and Young People's Helpline) was set up to help Peruvian children and young people in need. The initiative came about thanks to a partnership agreement between Fundación Telefónica and the ANAR Foundation.

This free helpline, donated by Fundación Telefónica, has handled 3,000 calls from children and young people who want to talk in private about their problems with a team of professionals made up of psychologists, social workers and lawyers, who give them advice and information and try to prevent them from becoming involved in situations that put their physical and emotional well-being at risk.

g) Pre-vocational and occupational training for vulnerable children and young people (Peru)

In collaboration with the Fundación Mundo Libre, Fundación Telefónica has helped set up a workshop equipped with six computers with Internet access that can be used to provide homeless children with vocational training, and to support the existing children's workshop. These workshops have already helped 80 boys and girls from underprivileged backgrounds, and their objective is for these young people to adapt to the new technologies used in the labour market of today.

on a range of medical specialties such as oncology and cardiology, and illnesses including Spina Bifida, Alzheimer's and Down syndrome.

In recognition of the fact that sport and physical exercise represent some of the best ways for disabled people to integrate themselves more easily into society, in 2004, declared the European Year of Education through Sport by the European Council, Fundación Telefónica continued to extend its support to organisations such as Special Olympics España, the Spanish Paralympic Committee, and the También Foundation, three major associations that help thousands of disabled sportspeople in Spain to get out and about.

e) Culture

Ever since it was founded Fundación Telefónica has dedicated much of its resources to promoting the use of new ICT's, particularly the Internet, to publicise artistic and cultural events, not just as a means of bringing culture to the people but also as a tool for exploring and developing new forms of cultural expression.

The activities of Fundación Telefónica are geared towards the dissemination of culture and its values through the use of the latest technology. In doing so the Foundation works in close conjunction with a number of prestigious institutions and organisations, and also lends its wholehearted support to sound proposals put forward by cultural associations all over the country.

True to its policy of supporting and promoting culture, in 2004 Fundación Telefónica continued to work on the virtual recreation of major monuments and buildings of cultural, artistic and historical interest in Spain and Latin America through its Ars Virtual programme. It is also actively involved in consolidating and raising the profile of the Spanish language on the Net through a series of initiatives promoting the language and Spanish-speaking culture.

The programme Technological Collaboration with Cultural Institutions pursues similar ends and provides technological support for the country's main institutions by creating new content and organising and publicising a range of cultural events.

Lastly, Fundación Telefónica restated its commitment to music teaching and the promotion of music by working closely with the Isaac Albéniz Foundation.

f) Art and Technology

The Telefónica Group's social projection also involves ceaseless support for artistic and cultural initiatives encompassing the most traditional approaches through to the avant-garde.

Since 1999, Fundación Telefónica's Art and Technology Office has managed the Telefónica Group's Artistic Heritage, made up of various specialist collections of works by twentieth-century Spanish and international artists, as well as its Historical/Technological Heritage, a collection consisting of more than 10,000 items, documents and photographs that tell the story of the Company since its foundation in 1924.

In much the same way as a museum, Fundación Telefónica, which pursues an active corporate art collecting policy, focuses its attention to curating, cataloguing, collecting new pieces and exhibiting these collections at its Art Centre and the Telecommunications Museum housed at the Company's Madrid headquarters.

In 2004 Fundación Telefónica continued to work towards its core objective of helping to promote and disseminate contemporary art and new technologies in their artistic applications. Last year saw the Foundation once again organise its Exhibitions Programme at the Art Centre, with centre stage being given to groundbreaking contemporary art. It also

CASE STUDY

DEMOCRATISING CULTURE: ARS VIRTUAL (07-34)

With a view to promoting new forms of dissemination and the proximity of culture by using the options offered by the new information and communication technologies, in 2000 Fundación Telefónica developed its Ars Virtual programme, a digital macro-museum on the Internet that enables the visitor to surf some of the most important monuments comprising the artistic, cultural and historical heritage of Spain and other Latin American countries where Telefónica is present, thanks to the latest techniques in virtual reality.

Grouped into three categories – Temples, Royal Sites and Other Monuments – the aim of Ars Virtual is to allow the visitor to journey through the buildings with total freedom of movement, using three-dimensional technologies, music, background sound, light and shadow effects which, together with the quality of the images, which make each recreation a true and accurate reflection of reality.

In 2004, recreations presented included the Alhambra in Granada, Las Médulas and the Royal Monasteries of the Descalzas Reales, Santa Clara in Tordesillas and Santa María la Real in Huelgas. Soon to be added are the Real Colegiata de San Isidoro in Leon, a master work of the Spanish Romanesque, as well as the Virtual World of the Sierra de Atapuerca, which will show the content, discoveries and findings on human evolution taken from this site. The www.arsvirtual.com site received 403,526 hits in 2004.

With the latest additions in 2004, Ars Virtual currently offers recreations of 18 different monuments.

organised its 6th International VIDA Awards, which reward artistic excellence in the field of artificial life.

In addition to these activities, the Foundation exhibits collections from other cultural organisations in Spain and overseas, and also loans its collections out, ensuring that its artworks and exhibitions are seen by a wide variety of audiences.

As regards technology, Fundación Telefónica's central objective is to put its historical/technological heritage on display to the public, particularly children, at the Telecommunications Museum. The museum takes visitors on an educational journey from the early days of telegraphy all the way through to the latest communication technologies such as mobile phones with cameras and pocket computers.

05 DRIVING EQUALITY: SUPPORT FOR THE DISABLED

The Telefónica Group has extensive experience in providing integrated support to the disabled. The Foundation for Social Development of Communication, Fundesco, was created in 1968 and from its inception studied the impact of the new technologies on disabilities. Another significant example is ATAM, a Telefónica association providing care for disabled people,

founded in 1973, born of the commitment of employees, labour unions and the company itself. Telefónica now seeks to use telecommunications, innovation and technology to help disabled people integrate into society, find work and allow them to go about their lives in complete freedom and enjoy their rights.

The Telefónica Group's commitment to this mission is deep rooted and the Group has demonstrated its support for this important minority over a long period of time in the following ways:

- making it a part of its Corporate Social Responsibility policy;
- Fundación Telefónica's social programme;
- the solidarity of the Group companies and their employees, which can clearly be seen in the work of ATAM;
- the innovation, technology and the products and services generated by the business units.

By bringing all these factors together, in 2004 Telefónica put the finishing touches to its cross-divisional disability project entitled the Integrated Accessible Telefónica Plan. The projects sets out to promote accessible

INTEGRATED ACCESSIBLE TELEFÓNICA PLAN. OBJECTIVES (07-35)

- To foster research and the development of new telecommunications, information and knowledge technologies designed to promote accessibility and equal opportunities for disabled people.
 - To improve the quality of life of citizens and encourage the integrated development of people with disabilities by supporting and promoting accessible telecommunications.
 - To foster cooperation between public bodies and organisations representing disabled people, and to encourage them to participate in society in general, and in the Information Society in particular.
 - To guarantee the Telefónica Group's complete accessibility as a player in society.
-

telecommunications and information technologies, and adheres to the concepts of equal opportunities, fair treatment and universal accessibility for all disabled people in line with the principles of the Global Compact.

Accessible Telefónica is structured into five fields of action that are described below and are taken from the National Accessibility Plan (IMSERSO, Ministry of Labour and Social Affairs). They are acted on through a variety of specific projects and actions, enabling the various business units and management areas to agree on areas of cooperation and work on accessibility projects with different disability communities.

a) Training and awareness

Telefónica is aware of its hugely important role in society and the scope of its messages. These factors influence its contribution to raising awareness among different professional, social, institutional, public and private groups about the integrated focus of accessibility based on the rights of the disabled.

b) Basic conditions for product and service accessibility

Telefónica uses a range of business lines to offer its experience and technology to disabled people, thus enabling them to access and use technologies, products and services connected with the Information Society. Progress made in 2004 includes:

Mobile telephony

- An SMS text messaging service that provides an extremely effective communication solution for deaf people.
- A speaking phone service that allows sight-impaired people to access the same text messaging service.

- A telephone for the visually impaired (Owasys). The phone uses a voice synthesiser to provide information and enables blind users to use some functions previously inaccessible to them, such as creating and reading messages, using the phone book and checking phone settings.

- The new video call service is based on UMTS technology and has attracted positive feedback from sign language users.

- The geographical people locator service Localízame, which gives users information on the geographical whereabouts of a person when making a call, sending a short message or using the Internet. The service is extremely useful for disabled people who need assistance from their families, guardians or carers.

- Telefónica Unifón (Argentina) launched a new mobile telephony service aimed at deaf and speech-impaired users. As part of the service an operator answers customers' calls and then sends them an SMS text message notifying them of the call. The service answers all calls, recovers messages and then sends them to the customer. Customers receive the messages on the screen of their telephones and can respond to them by sending a text message to another cell phone or an email address.

- T. Móviles Argentina also launched its free Braille billing service.

Fixed telephony

- The cost of the Deaf Persons' Liaison Centre is being met by IMSERSO, and Telefónica de España is cutting the cost of calls made to the centre thus making it more economical to communicate with the deaf.
- Telefónica de Argentina's service for helping put deaf people and the hard-of-hearing in touch with the outside world handles

TRAINING AND AWARENESS INITIATIVES IN 2004 (07-36)

Model for the Provision of Care for Disabled People (ATAM, over 3,600 people benefiting in 2004)	Launched by ATAM in conjunction with the Royal Trust for the Disabled, the model consists of three key components: integrated assessment of the person's capabilities; personalised planning with personal support schedules; and management systems for their application. These systems constantly monitor and evaluate results in terms of quality of life. The model for the provision of care is based on the principle of social empowerment and integration, which involves gradually giving people the skills they need to complete tasks and activities previously deemed to be beyond them.
Project: Accessible Communication for All (8 interviews)	Meetings with groups representing the disabled to identify barriers, guidelines and verbal, non-verbal and technological criteria in order to generate non-discriminatory communication. Communication needs and requirements are identified in relation to different types of disability with a view to generating basic knowledge and, in subsequent phases, to combating discrimination.
Book: <i>The Siblings of Disabled People: A Pending Task</i> . (5,000 copies released)	Fundación Telefónica and the <i>Association for the Adaptation and Re-Education of the Disabled (AMAR)</i> set up a number of reflection workshops that provide the siblings of disabled people with a place to go for information, reflection, guidance and support.
Municipal Care Centres for the Disabled (300 beneficiaries)	This project is the result of cooperation between the <i>Telefónica Perú Foundation and the Foundation for Solidarity-Based Development (Fundades)</i> . The partnership has also led to other initiatives such as the Centre for Employment Training or the Information Service for Disabled People (INFODIS).
Project: <i>Rede Saci</i> (6,200 users)	Sponsored by the Telefónica Brasil Foundation, the project's goal is to promote the communication and dissemination of information among the disabled and their families, specialists and public bodies.
New Technologies Access Classroom (Infomédula: 2.5 million hits in 2004)	Opened in December 2004 at the National Paraplegics Hospital in Toledo. This partnership also resulted in the creation of the National Register of Bone Injury Patients, available at www.infomedula.org
The Deaf Persons Network (25 associations involved)	The Telefónica España Foundation is working with the <i>State Confederation of Deaf Persons' Foundation</i> on the creation of a parent network for deaf persons' associations.
<i>Canal Down21</i> (4.250 registered users)	The Telefónica España Foundation helped set up this website which now has received 347,182 hits.
Centro Español de Documentación sobre Discapacidad	The Spanish Disability Archive Fundación Telefónica in Spain worked closely with the Royal Trust for the Disabled in 2004 to design and create a new website www.cedd.net
Mercadis (218 people hired in Chile)	A virtual job search facility that aims to help disabled people of working age to access the labour market. Now operating in Spain and Chile. In Spain, Mercadis has received 1,800,000 hits.
Website dedicated to <i>Poliomyelitis in Peru</i> (700,000 potential beneficiaries)	A portal was created for people suffering this disability as a result of a joint initiative between Fundación Telefónica and the Peruvian Polio Society.
Website for the <i>Daunis Foundation</i> (40% de incremento de ventas)	Fundación Telefónica contributed to helping Mexico's Down syndrome sufferers integrate into society by creating a portal that publicises the activities of the <i>Daunis Foundation</i> . Thanks to this portal, the Foundation's sales have been increased.

10,000 calls a month. The service has been running since 1998 and receives 50,000 calls a month, 10,000 of which are calls answered and handled by the service operators. It also offers customers a Braille billing service.

- Telefónica de España offers its sight-impaired customers the same billing service and the first ten calls free to its 1003 enquiries service in each billing period.

Other Group companies:

- Telefónica Soluciones launched TeleAcceso.com, the first specialised e-commerce and integrated telecommunications services portal in Spain for disabled people.
- In Argentina, CARE (the Special Adaptation and Rehabilitation Centre) developed computer devices specially adapted for the disabled with the support of Fundación Telefónica.
- Thanks to the enquiry and helpline service set up by Fundación Telefónica in Chile, more than 800,000 people were able to exercise their right to vote in the general elections held in October.
- In Chile, Fundación Telefónica launched its Closed Caption system – one of the most significant technological innovations ever designed for deaf people – to enable the country's more than 500,000 deaf and hearing-impaired people to follow the President of the Republic's speech on the Annual National Accounts.
- The Guide to Communication Solutions for the Elderly and Disabled was published in 2003 and showcases Fundación Telefónica's products and innovations.

c) Innovation and quality

Both Telefónica I+D and the Group's companies are engaged in active research with a view to developing innovative technologies that make life easier for disabled and elderly people alike.

Telefónica I+D is currently working on the following disability initiatives:

- It designs its own solutions such as the Hércules (HIS) healthcare information system, healthcare protocols (clinical pathways) and an electronic prescription viewer.
- SeguiTel is a tele-assistance home-help solution that meets the needs of people who, because of their age, personal situation or physical condition, may require constant, specific or rapid assistance in the event of an emergency.

Telefónica Soluciones boasts an Accessibility Laboratory that operates as a resources centre for specialists in telecommunications accessibility. The lab develops solutions for disabled people such as the QWERTY virtual keyboard, a built-in touch pad and a mouse simulator. It also develops groundbreaking technology such as the Beethoven System, which enables the deaf and hearing-impaired to communicate with other people by phone.

Telefónica Móviles' innovation programme revolves around the Usability Group, a centre where disabled people are invited to test its products and services.

Fundación Telefónica developed the following applications:

- The SICLA programme, which develops alternative communication systems for speech-impaired people who need to use other non-verbal systems. This innovative programme comprises voice technology to allow the speech-impaired to communicate with their families and the outside world using the telephone, Internet and email.

- Fundación Telefónica also helped set up a unit demonstrating specially adapted equipment for disabled people at CEAPAT (National Centre for Personal Autonomy and Technical Aids) in Madrid, as well as the Cantabrian Information and Guidance Centre, which provides information on telework and employment opportunities for people with sensory impairments and the physically and mentally disabled.
- TeleSalud ADSL is a system developed by Telefónica I+D in 2004, with the support of Fundación Telefónica, addressed at improving the equality of life of the elderly through the new information and telecommunications technologies.

d) Plans and programmes

Accessible Telefónica's remit is to adapt all the Group customer service channels and enable disabled people to access and use them without restriction. The most significant developments in this area in 2004 were as follows:

- *Customer care service via text telephony:* Telefónica Móviles España was the first business unit to install a text telephony switchboard at its Customer Service Centre, thus allowing deaf people to make enquiries using their text phones.
- *MoviStar Accesible* (www.movistar.com/accesible) provides detailed information on products and services that can be used as tools to help people with disabilities overcome specific problems.
- Moreover, accessibility criteria were taken into consideration in designing and constructing the Group's new headquarters in Spain, Distrito C.

e) Participation

As a means of gauging the needs of people with disabilities at first hand and defining specifications for its products and services, Telefónica cooperates closely with major social actors to set up partnerships and strong links with the main disability communities. Partnership opportunities are channelled through management areas and business units so that the specific characteristics of each individual project can be assessed. The most significant of these initiatives in 2004 were as follows:

- As a sector association, ATAM is an active member of the leading confederations that make up the network of Spanish associations for the disabled.
- *Fundación Telefónica* signed partnership agreements with associations for the disabled in all the countries it operates in, resulting in the aforementioned projects.
- *Telefónica Móviles España* signed agreements with disability groups in Spain to develop and test its products and services. In 2004, it also signed an agreement with the *Médico Rural Foundation* to set up the *20th Century Project*, which aims to promote telemedicine and its availability in rural communities.
- As a Group company specialising in the field, Telefónica Soluciones is a member in Spain of the AENOR Group and helps set web accessibility criteria.
- Telefónica I+D took part in several European projects in the EU's 5th Framework Programme designed to set out best practice guidelines in the development and provision of services in a range of areas including social inclusion (e-inclusion). One such project involved the creation of a

CASE STUDY

PARTICIPATION IN DISABILITY EVENTS (07-37)

Telefónica shares its strategy in Telecommunications and disability with its stakeholders through participation in seminars and other forums

- As part of the Latin American Year of the Disabled, the Group was represented by ATAM, Fundación Telefónica and several of its business units at the 5th Latin American Disability and New Technologies Forum held in November 2004 and organised by AHCIET (Latin American Association of Research Centres and Telecommunication Companies) and the Chilean Junior Ministry of Telecommunications.
- Fundación Telefónica made its contribution to the First National Disabled Persons' Congress, held in December, through its Risolidaria platform. The Foundation teamed up with the United Nations Development Programme (UNDP) at the event, which brought together more than 1,300 disabled people from all over the country and a number of leading disability organisations such as ONCE, RIADIS and CERMI.
- In January 2004, the Chairman of the Commission for the Disabled in Argentina visited the Company facilities managed fully by disabled persons who provide service to others with disabilities.
- Telefónica I+D participated in the W3C 2004 Tour, organised by the Spanish W3C office.
- In December 2004, the Telefónica Group's strategy with regard to Telecommunications and Disabilities was presented at a series of seminars offered by El Nuevo Lunes, entitled Disability and Corporate Social Responsibility

SPORT AND DISABILITIES (07-38)

Sporting events for the disabled have long been supported by Telefónica as a means of self-fulfilment and a way to promote social awareness of social integration for the disabled.

- In Spain Fundación Telefónica lent its support to the Special Olympics, an organisation that represents 15,000 mentally disabled sportsmen and women, and also worked with the Spanish Paralympic Committee on several initiatives. It also gave its support to ATAM's Basic Sports Club.
- Mexico Special Olympics currently comprises 20 state associations representing over 8,000 athletes. As part of its collaboration with the Mexican organisation, Fundación Telefónica helped organise the 11th National Special Olympics held in Pachuca Hidalgo in September 2004.
- In Peru, the Foundation is involved in a similar partnership with Peru Special Olympics, which has so far given its support to over 9,000 athletes around the country. The Foundation also sponsored the 4th Olympic Games at the Special Education Centre in Kallpa with a total of 824 disabled athletes taking part

CASE STUDY

AWARDS AND RECOGNITION RECEIVED BY TELEFÓNICA FOR ITS COMMITMENT TO THE DISABLED (07-39)

- In 2004, Fundación Telefónica was awarded the CERMI.ES 2003 Social and Cultural Action Award, for its valuable work in supporting society's most disadvantaged groups and for having developed a range of programmes designed to bring about social integration and improve living conditions for the disabled.
- In Peru, through the National Council for the Integration of Disabled People (CONADIS), the Ministry for Women and Social Development (MINDES) recognised Fundación Telefónica for its unstinting work in defending and promoting the rights of the disabled.
- Atento Chile won an award presented by the Chilean Programme for the Labour Recruitment of Blind People in recognition of its efforts to help bring about integration.
- ATAM has won a number of awards since it was founded many years ago in support of the rights and quality of life of disabled people. These include the Sagardoy Foundation Award, the Autonomous Government of Catalonia Award, and the Reina Sofia Award.
- The website infomedula.org won the 2004 IMSERSO Princess Cristina Communication Award for its accessible design and ambitious structure enabling the development and provision of services to its users.
- The Telefónica España Foundation received an award from HRH Princess Elena in recognition of its support for the Spanish Paralympic Committee.
- A project on accessibility put together by an employee of Telefónica Soluciones won the competition Proyéctate, organised by the Social Department of the bank, Caja Madrid. The proposal, Stickers for Computer Keyboards and Telephone Handsets, is designed to help visually impaired people.

database featuring these best practices with an emphasis on e-government.

- It also sat on the European *Telecommunications Standards Institute's Technical Committee on Human Factors*, which looks at disability issues, and on the *Technical Standardisation Subcommittee AEN/CTN 139/SC 8, Systems and Devices for the Elderly and Disabled*, chaired by the Spanish Standardisation and Certification Association (AENOR).
- One of the most notable partnership initiatives in 2004 was the agreement signed between *Fundación Telefónica and the Aragon Association for the Physically*

Disabled with a view to working on and implementing the project *Employment Integration for People with Major Disabilities*. The project aims to create a telephone service centre that provides paid employment to people with severely reduced mobility, a segment of the population that has great difficulty in finding work. The service centre has subsequently been equipped with the infrastructures, telecommunications equipment and technical aids needed to help these people go about their work.

The Group continually seeks the cooperation and consensus of the disabled in all its activities related to this sector.