

## Telefónica's Commitment

People come first  
Communication comes first  
Education comes first  
Innovation comes first  
Reducing distance comes first  
Making life easier comes first  
Reaching everywhere comes first  
Eliminating barriers comes first  
Quality of life comes first  
Evolution comes first  
Reliability comes first  
Speed comes first  
Answers come first  
Being by your side comes first

What comes first for you  
comes first for us.

• Jordi • Alicia • Walter • Felipe • Nadia •  
Camilo • Carina • Gonzalo • Miriam • Inés  
• Rafael • Gloria • Pablo • Paola • Ramiro •  
Camila • Matías • Ana María • Manuel  
• Paco • Zuleima • Martí • Diego • Martina

11 • Elisa • Pedro • Carlos • Oscar • Sara • Isaac  
• Daniela • Laura • David • Susana • Emiliano

You come first

• Chema • Marc • Ramón • Julián • Salvador  
• Juan • Montse • Renato • Paloma • Cristina  
• Jorge • Iván • María • Vicente • Marisa •



122  
million customers

1.5  
million shareholders

173,000  
employees

500  
million people living in the society  
where we operate

15,600  
suppliers

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Telefónica has vision to become the best and largest integrated telecommunications group in the world. To achieve this, it assumed the commitment to be a responsible company to all its stakeholders

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# Redistribution of revenue\*

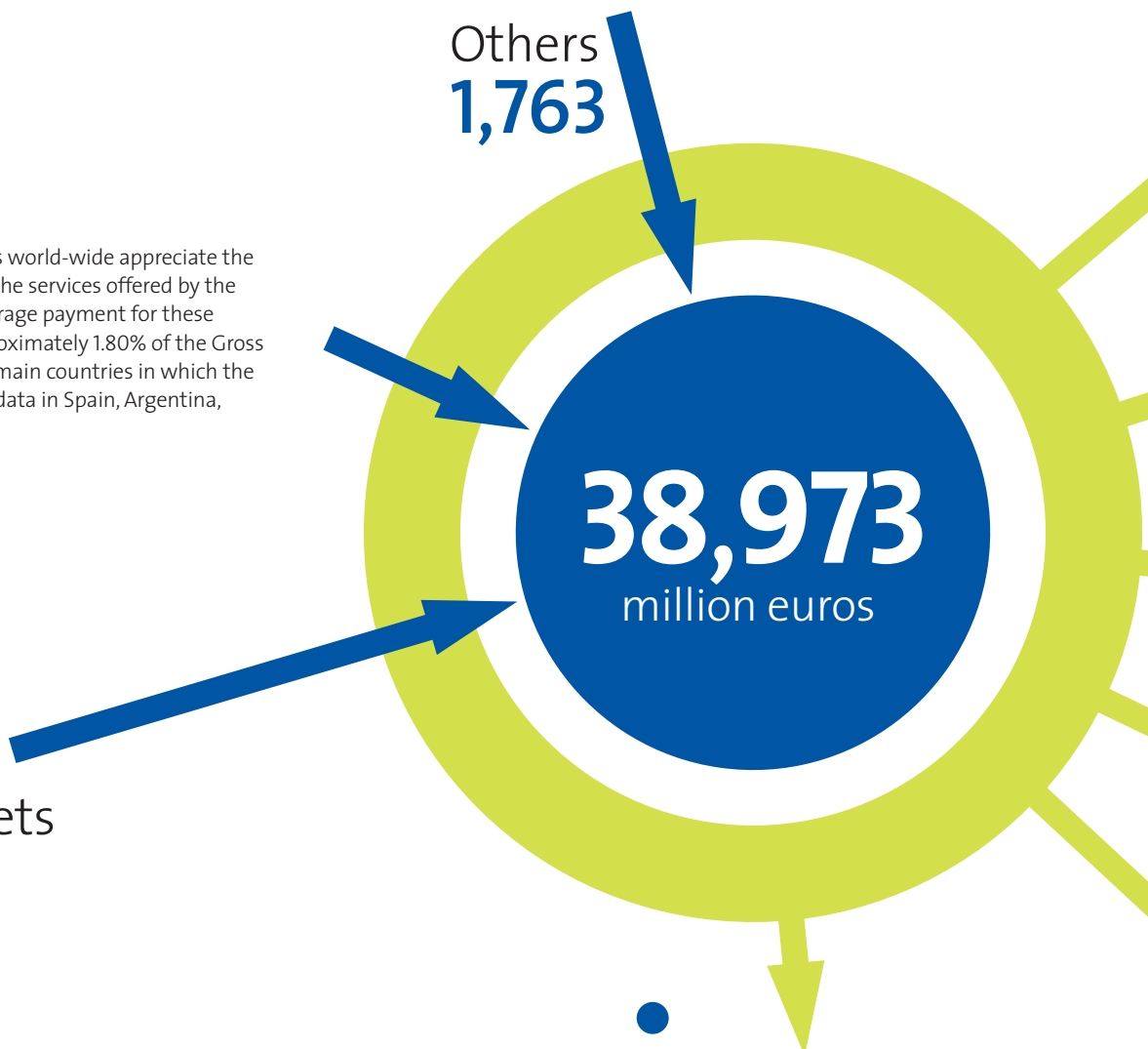
THESE PAGES AIM TO PROVIDE A SUMMARY OF THE CONTRIBUTION BY TELEFÓNICA ECONOMIC ACTIVITY TO SOCIETY. THE EXAMINATION OF THE ECONOMIC FLOWS THE TELEFÓNICA GROUP IS INVOLVED IN, SHOWS THE DISTRIBUTION EFFECT AMONG THE DIFERENT SOCIAL GROUPS, SUCH AS SUPPLIERS, EMPLOYEES, PUBLIC ADMINISTRATIONS, LENDING INSTITUTIONS, SHAREHOLDERS AND CUSTOMERS.

- Customers  
**36,335**

The 122 million customers world-wide appreciate the added value provided by the services offered by the Telefónica Group. The average payment for these services amounts to approximately 1.80% of the Gross Domestic Product of the main countries in which the Group operates (average data in Spain, Argentina, Brazil, Chile and Peru).

- Sale of assets  
**875**

Others  
**1,763**



- Investment  
**6,309**

The profitable growth strategy of Telefónica is basically materialised in investment in assets that allow its business to be expanded in the future (fundamentally investment in innovation, in development of the market and specific acquisitions) and divestment from non strategic or non-profitable assets.

Total Income:	38,973	
<i>(In millions of euros)</i>		
Total Payments:	38,973	

●  
Public  
administrations  
6,302

A Group the size of Telefónica makes an important contribution to public funds in the countries where it has activities through direct taxes on its profit, rates for licences, and indirect taxes.

●  
Suppliers  
Commercial  
14,914  
CapEx  
3,488

The Telefónica Group redistributes a major part of its revenue through the 15,600 companies with which it collaborates in each one of the companies in which it operates, that contribution is eminently local in each country, as confirmed by the fact that, on average, 92% of the volume of procurement in each country is from local suppliers.

●  
Employees  
3,851

The Telefónica Group has more than 173,000 employees, being one of the companies that generates more employment in Spain and Latin America.

●  
Shareholders  
2,949

Shareholders remuneration is one of the basic factors of the market economy the Telefónica Group operates under. Direct payment of dividends, the amount of which is shown on the graph, is in addition to other non monetary retibutions such as capital increase issues, repurchase of shares and their later amortisation.

●  
Financial  
creditors  
1,160

Lending institutions provide a source of funds that allow growth and development. In this sense, the Telefónica Group has an intense activity in financial risks, providing dynamics to the financial sector in some of the countries it operates in.

It is important to emphasise the commitment the Telefónica Group has to the society in which it operates, a commitment involving:

- A contribution exceeding 46.5 million euros in social and cultural action, performed by Fundación Telefónica (25 million), ATM (9 million) and the rest of the companies in the Telefónica Group (12.5 million).
- The net cost of the universal service obligations in Spain, that came to 198 million euros in 2003 according to *Telefónica de España*.
- The contribution to the Universal Service Funds in the Latin America countries (Argentina, Chile and Peru) amounting to 48 million euros.

(\*)

*The information published in this page has been obtained from internat sources of the Telefónica Group, and has been contrasted by the verifies of this report. The data mentioned may be affected by later events and evolutionary effects that may cause modifications to the content.*

*For detailed analysis of the consolidated financial statments of the Telefónica Group, the audited information is included in the consolidated annual accounts.*

# Corporate Responsibility

You come first

## Why trust?

- Because trust:
- 1 is the outcome of fulfilling commitments, and of understanding and comprehending the needs of all our stakeholders
  - 2 to our customers arises from our efforts to listen to them, anticipating their needs and striving for excellence
  - 3 to our shareholders is based on the generation of results, transparency and honesty
  - 4 to our employees is founded on the personal and professional growth of each and every one of them
  - 5 to our suppliers and partners is the result of seeking mutual benefit in all our operations

## How to manage Corporate Responsibility?

With five Principles of Corporate Responsibility Management

1 Proactive risk management

2 Flexibility and adaptability

### Who?

Customers  
quality and compliance

Shareholders  
returns and transparency

Employees  
clarity and development

### What?

HITS  
2004

Customer Orientation Programmes  
*Compromiso Cliente* and *meta: cliente*

Unification in quality of service parameters

New website for shareholders and investors

Listing on the *Dow Jones Sustainability Index*

Unification of workplace environment surveys

Group Labour Audit

CHALLENGES  
2005

Implementation of the Customer Relations Principles

More contacts with socially responsible investors

Internal Communication Plan linked to the Company transformation process

6 to the countries in which we operate is determined by our degree of commitment and the economic, social and technological progress of all

7 to society is sustained by respect for human rights, protection of the environment and respect for cultural diversity

8 in our service is based on the reliability of our operations and on our commercial capacity to adapt to the needs of our customers

9 is the result of applying all our technological capacities to innovating products and services that improve the quality of life

10 in our human resources is the lever that drives us to reach our goal as a company

3 Relations with stakeholders

4 The creation of sustained value for all stakeholders

5 Transparent information

Society  
contribution  
and proximity

Launch of new products targeted at low-income segments

Increase in the number of people benefiting from Telefónica Foundation projects

Development of new activities in the *Integral Accessible Telefónica Plan*

Environment  
respect and  
protection

Definition of *Minimum Environmental Requirements* in the Telefónica Group

Availability of information on the environmental impact of the Group companies

Development of environmentally-friendly products and services

Suppliers  
equal  
opportunities and  
mutual benefit

Increased volume of purchases handled through electronic platforms

SME Training Plan (Argentina)

Application of corporate responsibility criteria to supplier selection

Media  
information and  
transparency

Telefónica in the Internet Framework Plan (1st Stage)

Increase in the number of media mentions

Actions to enhance a more personalised service to the media



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## REPORT ON AGREED-UPON PROCEDURES FOR THE EXTERNAL VERIFICATION OF THE INDICATORS OF THE TELEFÓNICA, S.A.'S 2004 CORPORATE RESPONSIBILITY ANNUAL REPORT

To Telefónica S.A. Management:

We have performed the procedures agreed upon with you, which are listed below, regarding the indicators of the *Telefónica, S.A.'s 2004 Corporate Responsibility Annual Report*. The preparation of this report is the sole responsibility of the General Corporate Communications Management at Telefónica, S.A.

Our work was conducted in accordance with the *Global Reporting Initiative (GRI) 2002 Sustainability Reporting Guidelines*, the *2003 GRI Telecommunications Sector Supplement (Pilot Version 1.0)*, and the generally accepted professional standards in Spain relating to agreed-upon procedures.

The procedures performed were as follows:

- Meetings with employees of the Telefónica Group to gather the information required for the external verification.
- Review of the minutes of the committees involved in the *Corporate Responsibility Annual Report* and of other significant documentation or communications used in the preparation of this report.
- Checking that the content of *Telefónica, S.A.'s 2004 Corporate Responsibility Annual Report* does not contradict any relevant information contained in *Telefónica, S.A.'s 2004 Annual Report*, *Telefónica Móviles, S.A.'s 2004 Corporate Responsibility Annual Report* and *Telefónica Publicidad e Información, S.A.'s 2004 Corporate Responsibility Annual Report*.
- Analysis of the adaptation of the contents and structure of the *Corporate Responsibility Annual Report* to that indicated in the GRI standard.
- Verification, by means of sample-based tests, of the calculation of the quantitative performance indicators included in the *Corporate Responsibility Annual Report* and/or of the adequate compilation thereof based on the data supplied by the Telefónica Group companies' information sources.
- Verification of the qualitative aspects of the indicators included in the *Corporate Responsibility Annual Report*.

The review of the indicators focused solely on those relating to 2004 included by Telefónica, S.A. in its *Corporate Responsibility Annual Report*.

Tables 2 and 3 attached to this report include a list of the 98 indicators analyzed and a description of the type of verification performed. As indicated in Exhibit 1, the verifications were defined as partial when they were performed only on Group data in Spain or in particular countries or when they related to a specific aspect or to one specific line of business.

As a result of the application of the procedures described above, the following matters were disclosed:

- The structure and contents of *Telefónica, S.A.'s 2004 Corporate Responsibility Annual Report* comply with the principles and guidelines of the GRI standard. However, due to the particular features of the Company's activities and/or the systems available for obtaining information, it was occasionally necessary to adapt the GRI indicators accordingly.
- Generally speaking, when information was not available for all the countries or for all the activities carried on by the Company or Group companies, this was indicated in the section of the report describing the related indicator.

The scope of the agreed-upon procedures applied was limited to the verification of the indicators for 2004, not of *Telefónica, S.A.'s 2004 Corporate Responsibility Annual Report* taken as a whole. Had additional or different procedures been applied, other matters might have been identified, of which we would have informed you.

Madrid, May 12, 2005

DELOITTE

Helena Redondo



**EXHIBIT 1: TYPE OF VERIFICATION PROCESS PERFORMED**

The type of verification performed for each of the indicators is detailed in Tables 2 and 3 using the following symbols:

- CA** Conformity with the data included in the audited 2004 financial statements of the Telefónica Group.
- FT** Checking the information furnished with the audited 2004 financial statements of Fundación Telefónica in Spain.
- AT** Checking the information furnished with the audited 2004 financial statements of the Telefónica Association for Aid to the Disabled (ATAM).
- DM** Verification, for a sample, of the approval of sponsors and their payment.
- CC** Verification of the adequate compilation of the data generated by the Telefónica Group companies' reporting systems.
- QI** Checking the qualitative aspects based on information supplied by Telefónica Group companies.
- PS** Verification of the existence of the policies, systems and procedures described.
- CE** Checking the calculations performed following the methodology used by the Telefónica Group.
- FP** Checking the data against non-Group public sources of information.
- GC** Checking the information furnished against that published by Telefónica S.A. in its Corporate Governance Report.
- MV** Checking the data against the information furnished by Telefónica S.A. to the securities markets.
- PM** Verification of the Telefónica Group's adhesion to the Global Compact.
- AI** Conformity with the express statement by the Deputy General Management of Corporate Controllershship, Inspection and Internal Audit.
- AJ** Checking information against the express statements by the legal services of Telefónica Group companies.

**SYMBOLS USED TO EXPRESS THE SCOPE OF THE VERIFICATION**

- Verification of the information included in the Corporate Responsibility Annual Report relating to the indicator.
- ✓(E) Partial verification, only for Spain.
- ✓(P) Partial verification, only for the countries referred to in the Corporate Responsibility Annual Report.
- ✓(L) Partial verification, only for the lines of business referred to in the Corporate Responsibility Annual Report.
- ✓(A) Partial verification, only for certain of the aspects addressed in the Corporate Responsibility Annual Report.
- ND** Indicator that applies to the Telefónica Group's activities but for which no information is available or has not been reported.
- NA** Indicator that is not applicable to the Telefónica Group companies' activities.

**SYMBOLS USED TO INDICATE THE SCOPE OF THE INFORMATION VERIFIED.**

- |            |   |            |   |
|------------|---|------------|---|
| <b>G</b>   | Telefónica Group                          | <b>TdE</b> | Telefónica de España  |
| <b>TMV</b> | Telefónica Móviles                        | <b>TID</b> | Telefónica Investigación y Desarrollo   |
| <b>TPI</b> | Telefónica Publicidad e Información - TPI | <b>ATE</b> | Atento  |
| <b>TSP</b> | Telefónica Sao Paulo – TeleSP             | <b>CTC</b> | Telefónica CTC Chile  |
| <b>TAR</b> | Telefónica Argentina                      | <b>TGE</b> | T-Gestiona  |
| <b>FT</b>  | Fundación Telefónica                      | <b>ATA</b> | ATAM (Asociación de Telefónica para el Apoyo a las Personas con Discapacidad) |
| <b>TER</b> | Terra                                     |            |   |



TABLE 1: GRI REPORT CONTENT			
TF 03*	GRI SECTIONS	CONTENTS ACCORDING TO GRI GUIDELINES	PAGES
<b>1. VISION AND STRATEGY</b>			
•	1.1	Vision and strategy regarding the contribution to sustainable development	4-5, 8-10, 21-25, 30-37
•	1.2	Statement from the CEO describing key elements of the Corporate Responsibility Annual Report	4-5
<b>2. PROFILE</b>			
<b>ORGANIZATIONAL PROFILE</b>			
•	2.1	Name of reporting organization	1
•	2.2	Major products and/or services, including brands	7-13, 25-29
•	2.3	Operational structure of the organization	8, 11
•	2.4	Major divisions, operating companies, subsidiaries and joint ventures	8, 11
•	2.5	Countries in which the organization's operations are located	11
•	2.6	Nature of ownership; legal form	15-19
•	2.7	Nature of markets served	11, 118-120
•	2.8	Scale of the reporting organization	7, 12-13
•	2.9	List of stakeholders, key attributes of each, and relationship to the reporting organization	2-3, 22, 27
<b>SCOPE OF CORPORATE RESPONSIBILITY ANNUAL REPORT</b>			
•	2.10	Contact person(s) for the Corporate Responsibility Annual Report	208
•	2.11	Reporting period	1, 206
•	2.12	Date of the most recent previous report	34, 206
•	2.13	Boundaries of the report (countries, services, etc.)	206
•	2.14	Significant changes in the company and its environment	7-10
•	2.15	Basis for reporting on subsidiaries, joint ventures, etc.	206
•	2.16	Re-statements of information provided in earlier reports	206
<b>PROFILE OF CORPORATE RESPONSIBILITY ANNUAL REPORT</b>			
•	2.17	Decisions not to apply GRI principles or protocols in the preparation of the report	198-199
•	2.18	Criteria used in any accounting for social costs and benefits	ND
•	2.19	Significant changes from previous years in measurement methods	206
•	2.20	Policies and practices to provide assurance about the accuracy and reliability of the information	198, 199, 206
•	2.21	Means to provide independent assurance for the report	198, 199
•	2.22	Means by which additional information can be obtained	206-208
<b>3. GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS</b>			
<b>STRUCTURE AND GOVERNANCE</b>			
•	3.1	Governance structure and major committees under the Board of Directors	14-18
•	3.2	Percentage of the board of directors that are independent directors	18
•	3.3	Expertise needed by board members to guide the organization's strategies in environmental and social issues	30-37
•	3.4	Board-level processes for overseeing economic, environmental and social risks and opportunities	30
•	3.5	Linkage between executive compensation and achievement of financial and non-financial goals	14-18
•	3.6	Structure and individuals responsible for oversight and audit of economic, environmental and social policies	18, 34, 202-203
•	3.7	Mission and value statements, codes of conduct or principles	23-25
•	3.8	Mechanisms for shareholders to provide recommendations	78-80
<b>STAKEHOLDER ENGAGEMENT</b>			
•	3.9	Basis for identification of stakeholders	2-3, 22, 27
•	3.10	Approaches to stakeholder consultation	31, 35, 62-68, 79-80, 87-89
•	3.11	Information generated by stakeholder consultations	31, 35, 62-68, 79-80, 87-89
•	3.12	Use of information resulting from stakeholder engagements	2-3, 22-25
<b>OVERARCHING POLICIES AND MANAGING SYSTEMS</b>			
•	3.13	Application of the precautionary principle	30-181
•	3.14	Externally developed voluntary charters and other initiatives to which the organization subscribes	31-37
•	3.15	Memberships in national/international associations	31-37
•	3.16	Management of upstream and downstream impacts	189-191
•	3.17	Organization's approach to managing indirect economic, environmental and social impacts	4-5, 120-145, 183
•	3.18	Major decisions during the reporting period regarding the location of operations	118-121
•	3.19	Programs and procedures pertaining to economic, environmental and social performance	35-37
•	3.20	Certification of economic, environmental and social management systems	59, 164, 166
<b>4. CONTENT INDEX</b>			
•	4.1	Table identifying location of the report content, by section and indicator	200-204

\* TF 03: Indicating the content included in the 2003 Corporate Responsibility Annual Report of Telefónica, S.A.

TABLE 2: GRI INDICATORS

TF 03	TYPE IND.	GRI	DESCRIPTION OF INDICATOR	PAGES OF REPORT	SCOPE	SCOPE OF VERIFICATION	VERIFICATION PROCEDURE
<b>ECONOMIC PERFORMANCE INDICATORS</b>							
<b>CUSTOMERS</b>							
•	C	EC-01	Net sales	12,119	G	☑	CA
•	C	EC-02	Geographic breakdown of markets	11,120	G	☑	CA
<b>SUPPLIERS</b>							
•	C	EC-03	Cost of all goods, materials and services purchased	183	G	☑	CA
	C	EC-04	Percentage of contracts that were paid in accordance with agreed terms	186	TdE, TMV	✓(E)	AI
•	C	EC-11	Supplier breakdown by organization and country	182	G	☑	CC
<b>EMPLOYEES</b>							
•	C	EC-05	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments)	92	G	☑	CA
<b>PROVIDERS OF CAPITAL</b>							
•	C	EC-06	Distributions to providers of capital broken down by, interest on debt and borrowings, and dividends	13, 81, 83, 194, 195	G	☑	CA
•	C	EC-07	Increase/decrease in retained earnings at end of period	12	G	☑	CA
<b>PUBLIC SECTOR</b>							
•	C	EC-08	Total sum of taxes of all types paid	194,195	G	☑	CC
•	C	EC-09	Subsidies received broken down by country or region	43	TID	✓(A)(i)	CC,FP
•	C	EC-10	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group	141,194,195	G	✓(E)	DM, FT, AT
	Q	EC-12	Non-core business infrastructure development	115,144-149	FT,ATA	☑	CC,FP
<b>INDIRECT ECONOMIC IMPACTS</b>							
	Q	EC-13	The organization's indirect economic impacts, identifying major externalities associated with the reporting organization's products and services	43,194,195	G	☑	CE
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>							
<b>RAW MATERIALS</b>							
•	C	EN-01	Total materials use, by type	172	TdE, TMV, TID, TPI, TGE	☑	CC (2)
•	C	EN-02	%raw materials used that are wastes from external sources	173	TMV	✓(E)	CC (2)
<b>ENERGY</b>							
•	C	EN-03	Direct energy use	169,171,172	G	☑	CC
•	C	EN-04	Indirect energy use	171	G	☑	CE
	Q	EN-17	Initiatives to use renewable energy sources and to increase energy efficiency	169	TMV	☑	CC
	C	EN-18	Energy consumption footprint	ND			
	C	EN-19	Other indirect energy use and implications	ND			
<b>WATER</b>							
•	C	EN-05	Total water use	172	G	☑	CE
	Q	EN-20	Water sources and ecosystems significantly affected by use of water	NA			
	C	EN-21	Annual withdrawals of ground and surface water	NA			
	C	EN-22	Total recycling and reuse of water	NA			
<b>BIODIVERSITY</b>							
	C	EN-06	Location and size of land in biodiversity-rich habitats	167	TMV	✓(E)	CC
•	Q	EN-07	Description of the major impacts on biodiversity	169	TMV	☑	QI
	C	EN-23	Total amount of land for production activities or extractive use	NA			
	C	EN-24	Amount of impermeable surface as a percentage of land purchased	NA			
	Q	EN-25	Impacts of activities on protected and sensitive areas	167	TMV	☑	PS
	Q	EN-26	Changes to natural habitats and percentage of habitat restored	ND			
	Q	EN-27	Objectives and programs for restoring native ecosystems and species	ND			
	C	EN-28	Number of IUCN Red List species with habitats in areas affected by operations	NA			
	Q	EN-29	Business units operating in protected or sensitive areas	167	G	✓(E)	PS
<b>EMISSIONS, EFFLUENTS, AND WASTE</b>							
•	C	EN-08	Greenhouse gas emissions	177	G	☑	CE
	Q	EN-09	Use and emissions of ozone-depleting substances	176	G	☑	QI
	C	EN-10	NOx, SOx, and other significant air emissions	177	G	☑	CE
•	C	EN-11	Total amount of waste by type and destination	174,175	TMV, TdE, TSP, TID	☑	CC

Legend: Deloitte Letter (page 199)

\* TF03: Highlighting the indicators that are detailed in the 2003 Corporate Responsibility Annual Report of Telefónica, S.A.

\*\* Type of indicator - C: Quantitative Indicator Q: Qualitative Indicator

(1) Only the data on subsidies granted by the EU to *Telefónica Investigación y Desarrollo* have been checked

(2) Paper format only

TF 03	TYPE IND.	GRI	DESCRIPTION OF INDICATOR	PAGES OF REPORT	SCOPE	SCOPE OF VERIFICATION	VERIFICATION PROCEDURE
	Q	EN-12	Significant discharges to water by type	163	TdE	✓(L)	QI
	C	EN-13	Significant spills of chemicals, oils, and fuels	NA			
	C	EN-30	Other relevant indirect greenhouse gas emissions	176	G	✓(A)	CE
	C	EN-31	Production and transport of hazardous waste	174, 175	TMV, TdE, TID, TSP	✓(L)	CC
	Q	EN-32	Ecosystems/habitats affected by discharges of water and runoff	NA			
<b>SUPPLIERS</b>							
•	Q	EN-33	Performance of suppliers relative to environmental components	166, 185	G	☑	PS
<b>PRODUCTS AND SERVICES</b>							
•	Q	EN-14	Significant environmental impacts of products and services	161, 179	G	☑	QI
•	C	EN-15	Percentage of products that is reclaimable at the end of the useful life	ND			
<b>COMPLIANCE</b>							
	Q	EN-16	Incidents of and fines for non-compliance with applicable international conventions and local regulations	162	G	✓(E)	AJ
<b>TRANSPORT</b>							
•	Q	EN-34	Significant environmental impacts of transportation used for logistical purposes	171, 172	TdE, TMV, CTC, TAR	☑	CC
<b>OVERALL</b>							
	C	EN-35	Total environmental expenditures by type	ND			
<b>SOCIAL PERFORMANCE INDICATORS</b>							
<b>LABOR PRACTICES</b>							
<b>EMPLOYMENT</b>							
•	C	LA-01	Breakdown of workforce, where possible, by region/country, status employment type (full time/part time), and by employment contract	86	G	☑	CC
•	C	LA-02	Net employment creation and average turnover by country	86, 87	G	☑	CC
	Q	LA-12	Employee benefits beyond those legally mandated	107, 109	G	☑	QI
<b>LABOR / MANAGEMENT RELATIONS</b>							
•	C	LA-03	% of employees represented by independent trade union organizations	103	G	☑	CC
•	Q	LA-04	Policy and procedures involving information, consultation, and negotiation with employees over changes in operations	89-91	G	☑	PS
	Q	LA-13	Provision for formal worker representation in decision-making or management	ND			
<b>HEALTH AND SAFETY</b>							
•	Q	LA-05	Practices on recording and notification of occupational accidents and diseases	108, 110	G	✓(E)	PS
•	Q	LA-06	Description of joint health and safety committees comprising management and worker representatives	109, 110	G	☑	PS
•	C	LA-07	Injury, lost day, and absentee rates	110	G	✓(A) (3)	CC
	Q	LA-08	Policies or programs (for the workplace and beyond) on HIV/AIDS	113, 147	G	☑	PS, FP
	Q	LA-14	Evidence of compliance with the ILO Guidelines for Occupational Health Management Systems	109-110	G	☑	PS
	Q	LA-15	Description of formal agreements with trade unions or other employee representatives covering health and safety at work	110	G	☑	PS
<b>TRAINING AND EDUCATION</b>							
•	C	LA-09	Average hours of training per year per employee	13, 95	G	☑	CC
	Q	LA-16	Description of programs to support the continued employability of employees and to manage career endings	88, 93, 94, 97, 98, 101	G	☑	QI
	Q	LA-17	Policies for skills management or for lifelong learning	95, 96, 100	G	☑	PS
<b>DIVERSITY AND OPPORTUNITY</b>							
•	Q	LA-10	Description of equal opportunity policies or programs	31, 100, 105	G	☑	PM, QI
•	C	LA-11	Composition of senior management (diversity)	105	G	☑	CC
<b>HUMAN RIGHTS</b>							
<b>STRATEGY AND MANAGEMENT</b>							
•	Q	HR-01	Description of policies, guidelines, corporate structure, and procedures to deal with human rights relevant to operations	100, 31	G	☑	PM
•	Q	HR-02	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers	31, 100, 185	G	☑	PM, FP
•	Q	HR-03	Policies and procedures to evaluate human rights performance within the supply chain and contractors	31, 100, 185	G	☑	PS

Legend: Deloitte Letter (page 199)

(3) Only data on accidents have been reported and verified

TF 03	TYPE IND.	GRI	DESCRIPTION OF INDICATOR	PAGES OF REPORT	SCOPE	SCOPE OF VERIFICATION	VERIFICATION PROCEDURE
	Q	HR-08	Employee training on practices concerning human rights	ND			
<b>NON-DISCRIMINATION</b>							
•	Q	HR-04	Global policy and procedures/programs preventing all forms of discrimination in operations	131-140, 150-152, 183	G	<input checked="" type="checkbox"/>	PS
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>							
•	Q	HR-05	Freedom of association policy and extent to which it is applied	31,100-103	G	<input checked="" type="checkbox"/>	PM, PS
<b>CHILD LABOR</b>							
•	Q	HR-06	Description of policy excluding child labor	31,100,103,104	G	<input checked="" type="checkbox"/>	PM, PS, FP
<b>FORCED AND COMPULSORY LABOR</b>							
•	Q	HR-07	Description of policy to prevent forced and compulsory labor	31,100,103	G	<input checked="" type="checkbox"/>	PM
<b>OTHER MATTERS IN RELATION TO HUMAN RIGHTS</b>							
	Q	HR-09	Appeal practices, including human rights issues	ND			
	Q	HR-10	Non-retaliation policy and confidential employee grievance system	ND			
	Q	HR-11	Human rights training for security personnel	101	G	✓(E)	QI
	Q	HR-12	Description of policies, guidelines, and procedures to address the needs of indigenous people	131-140	G	<input checked="" type="checkbox"/>	QI
	Q	HR-13	Description of jointly managed community grievance mechanisms/authority	ND			
	C	HR-14	Share of operating revenues from the area of operations that are redistributed to local communities	194,195	G	<input checked="" type="checkbox"/>	CE
<b>SOCIETY</b>							
<b>COMMUNITY</b>							
•	Q	SO-01	Description of policies to manage impacts on communities	75	G	<input checked="" type="checkbox"/>	PS
•	Q	SO-04	Awards received relevant to social, ethical, and environmental performance	23-25	G	<input checked="" type="checkbox"/>	FP
<b>BRIBERY AND CORRUPTION</b>							
•	Q	SO-02	Description of the policy, management systems, and compliance mechanisms for addressing bribery and corruption	183	G	✓(A) (4)	PS
<b>POLITICAL CONTRIBUTIONS</b>							
•	Q	SO-03	Policy and compliance mechanisms for managing political lobbying and contributions	206	G	✓(A) (5)	PS
	C	SO-05	Amount of money paid to political parties and institutions	ND			
<b>COMPETITION AND PRICING</b>							
•	Q	SO-06	Court decisions regarding cases pertaining to monopoly regulations	68,70	G	<input checked="" type="checkbox"/>	MV
•	Q	SO-07	Policy and compliance mechanisms for preventing anti-competitive behavior	68	G	<input checked="" type="checkbox"/>	QI
<b>PRODUCT RESPONSIBILITY</b>							
<b>CONSUMER HEALTH AND SAFETY</b>							
•	Q	PR-01	Description of policy for preserving customer health and safety during use of products and services	70-75,177-179	G	<input checked="" type="checkbox"/>	PS,FP,CC
	Q	PR-04	Number and type of instances of non-compliance with regulations concerning customer health and safety, including penalties and fine	177,179	TMV	<input checked="" type="checkbox"/>	PS
	C	PR-05	Number of complaints upheld by official regulatory bodies relating to the health and safety of products and services	70	G	<input checked="" type="checkbox"/>	MV
	Q	PR-06	Voluntary code compliance, product labels or awards received with respect to social and/or environmental responsibility	66,67	G	<input checked="" type="checkbox"/>	QI
<b>PRODUCTS AND SERVICES</b>							
•	Q	PR-02	Policies related to product information and labeling	66-69,74,75	G	<input checked="" type="checkbox"/>	QI,FP
	C	PR-07	Instances of non-compliance with regulations concerning product information and labeling, including any penalties or fines assessed for these breaches	68,70	G	<input checked="" type="checkbox"/>	MV
	Q	PR-08	Policy, management systems and mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction	50-54	G	<input checked="" type="checkbox"/>	PS,QI
<b>RESPECT FOR PRIVACY</b>							
•	Q	PR-03	Policy and compliance mechanisms for consumer privacy	70-74	G	<input checked="" type="checkbox"/>	PS,QI
	C	PR-11	Number of substantiated complaints regarding breaches of consumer privacy	71	G	<input checked="" type="checkbox"/>	AJ
<b>ADVERTISING</b>							
	Q	PR-09	Policies and compliance mechanisms for adherence to standards and voluntary codes related to advertising	66,67	G	✓(P)	FP,PS
	C	PR-10	Number and types of breaches of advertising and marketing regulations	70	G	<input checked="" type="checkbox"/>	MV

(4) The policies described refer exclusively to the acquisition of products and services

(5) Only the Payments Rule of the corporate control standards has been verified

TABLE 3: GRI TELECOMMUNICATIONS SECTOR-SPECIFIC INDICATORS							
TF 03	TYPE IND.	GRI	DESCRIPTION OF INDICATOR	PAGES OF REPORT	SCOPE	SCOPE OF VERIFICATION	VERIFICATION PROCEDURE
<b>INTERNAL OPERATIONS</b>							
<b>INVESTMENT</b>							
•	C	IO-01	Investment in telecommunication network infrastructure by country/region	118,121	G	☑	CA
•	C	IO-02	Net costs under the Universal Service Obligation	131	G	☑	CC
<b>HEALTH AND SAFETY</b>							
•	Q	IO-03	Practices to ensure health and safety of personnel involved in the installation and maintenance of masts, base stations, laying cables and other outside plant	111	G	☑	PS
•	Q	IO-04	Compliance with ICNIRP standards on exposure to radiofrequency emissions from handsets	178	TMV	☑	FP
•	Q	IO-05	Compliance with ICNIRP guidelines on exposure to radiofrequency emissions from base stations	177-179	TMV,TSP	☑	QI,PS
•	Q	IO-06	Policies and practices with respect to Specific Absorption Rate (SAR) of handsets	178	TMV	☑	FP
<b>INFRASTRUCTURE</b>							
•	Q	IO-07	Description of policies and practices on the siting of masts including stakeholder consultation, site sharing, and initiatives to reduce visual impacts	167-169	TMV	✓(A) (1)	PS,QI
•	C	IO-08	Number and percentage of shared sites and sites on existing structures	ND			
<b>PROVIDING SERVICES</b>							
<b>ACCESS TO TELECOMMUNICATION SERVICES: BRIDGING THE DIGITAL DIVIDE</b>							
•	Q	PA-01	Policies to enable the deployment of telecommunications infrastructure and access to products and services in remote and low population density areas	131-134	G	☑	PS
•	Q	PA-02	Policies and practices to overcome barriers for access to services including: language, culture, lack of education, income, disabilities, and age	134,139,150-152	G	☑	PS,FP
•	Q	PA-03	Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specific time periods and locations of down time.	56-58	G	☑	PS,QI
•	C	PA-04	Quantify the level of availability of telecommunications services in areas where the organization operates	11,133,135	G	☑	CC
•	C	PA-05	Types of telecommunication services provided to and used by low income sectors of the population	134	G	☑	QI
•	Q	PA-06	Programs to provide and maintain telecommunication services in emergency situations	130	G	☑	PS
<b>ACCESS TO CONTENT</b>							
•	Q	PA-07	Policies to manage human rights issues relating to access and use of telecommunications	72-73	G	☑	PS
<b>CUSTOMER RELATIONS</b>							
•	Q	PA-08	Policies and practices to publicly communicate on EMF related issues	75	G	☑	FP
	C	PA-09	Total amount invested in research activities in electromagnetic field and health	ND			
•	Q	PA-10	Initiatives to ensure clarity of charges and tariffs	67-69	G	✓(A) (2)	FP
•	Q	PA-11	Initiatives to inform customers about responsible, efficient, cost effective, and environmentally preferable use of products	173-174	TMV	☑	FP,PS
<b>TECHNOLOGY APPLICATIONS</b>							
<b>RESOURCE EFFICIENCY</b>							
•	Q	TA-01	Example of the resource efficiency of telecommunication services	179	G	☑	PS
•	Q	TA-02	Telecommunication services with the potential to replace physical objects	179	G	☑	PS
•	C	TA-03	Measures of changes of customer use of the telecommunication services listed above	179	TID	☑	PS
	Q	TA-04	Estimates of the rebound effect of customer use of products and services, and lessons learned for future development	ND			
•	Q	TA-05	Practices relating to intellectual property rights and open source technologies	74	TMV,TER	✓(E) (3)	FP

Legend: Deloitte Letter (page 199)

\* TF03: Highlighting the indicators that are detailed in the 2003 Corporate Responsibility Annual Report of Telefónica, S.A.

\*\* Type of indicator - C: Quantitative Indicator Q: Qualitative Indicator

(1) No information is provided on stakeholder consultations relating to the aspects required by the indicator

(2) Information is only provided on billing initiatives

(3) No information is provided on open source technologies



## UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS CHART

Telefónica signed the Global Compact Principles in 2002. Since then, the Company has reported each year on its commitment to uphold this initiative, on the application of its 10 Principles, as well as providing an assessment of the results obtained in the policies applied to ensure its fulfilment.

In 2004, the United Nations Global Compact Office published what are known as the Integrity Measures. These Measures endeavour to preserve the credibility of the initiative and its signatory companies. Thus, companies that have subscribed the 10 Principles of the Global Compact are asked to publish a "Communication on Progress", that is, to report to their stakeholders on progress in implementing the aforementioned Principles in their business strategies through their Annual Reports, websites or other media.

The Communications on Progress should include the following three elements:

- A statement of continued support for the Global Compact in the opening letter, statement or message from the Chief Executive Officer, Chairman or other senior executive.

Letter from the Chairman

- A description of practical actions that participants have taken to implement the Global Compact principles during the previous fiscal year.
- A measurement of outcomes or expected outcomes using, as much as possible, indicators or metrics such as those developed by the Global Reporting Initiative.

TABLE 4: COMMUNICATION ON PROGRESS - UNITED NATIONS GLOBAL COMPACT

GC PRINCIPLE	INDICATOR / GRI (*)	CHAPTER / SECTION	PROGRESS IN 2004
Human Rights Principles 1-2	HR1, HR2, HR3, HR4	06 Employees <ul style="list-style-type: none"> <li>• 06.04 Exemplary Conduct</li> </ul> 07 Society <ul style="list-style-type: none"> <li>• 07.05 Driving equality</li> <li>• 07.03 Driving digital inclusion</li> </ul> 09 Suppliers <ul style="list-style-type: none"> <li>• 09.02 Objectivity, transparency and equal opportunities</li> <li>• 09.04 Sustainable Development of Society</li> </ul>	<ul style="list-style-type: none"> <li>• Labour Audit</li> <li>• Actions to ensure equal opportunities</li> <li>• Integral Plan for the disabled <i>Accessible Telefónica</i></li> <li>• Training of SME suppliers (Argentina)</li> <li>• More services addressed at lower-income segments</li> <li>• New responsibility criteria applied in hiring conditions</li> </ul>
Workplace and Labour Rights Principles 3-6	HR5, HR6, HR7, LA3, LA4, LA10, LA11	06 Employees <ul style="list-style-type: none"> <li>• 06.01 Clarity</li> </ul> 06 Empleados <ul style="list-style-type: none"> <li>• 06.04 Exemplary Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• average of 48% of women in the workforce</li> <li>• 22,3% women in senior and middle management positions</li> <li>• Labour audit</li> </ul>
Environment Principles 7-9	EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17 1.1- Governance Structure and Management Systems 3.13- Vision and Strategy	08 Environment	<ul style="list-style-type: none"> <li>• Minimum Environmental Requirements</li> <li>• 27 reporting companies (5 en 2003)</li> </ul>
Anti-corruption Principle 10	SO2	02. Intangible Assets <ul style="list-style-type: none"> <li>• 02.03 Corporate Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Telefónica Móviles Code of Ethics</li> </ul>



# Some details on the 2004 Telefónica Corporate Responsibility Report

This document contains the commitments, actions and data of the Telefónica Group as a whole during 2004 in relation to its commitments to responsible Corporate Governance, efficient management of its intangible assets and its relations with customers, shareholders, employees, society, the environment, suppliers and the media.

As in previous editions, the 2004 Corporate Responsibility Report is based on the GRI (Global Reporting Initiative), through its general Guidelines as well as the Telecommunications Sector Supplement. It also aims to respond to all the information needs of the Socially Responsible Investment community.

The report includes information on all the main indicators in the Annual Report, except for the SO-03, which refers to policies and procedures for payments to political parties. Telefónica's Payment Regulations (NCC-002), of mandatory application throughout the entire Group, prohibit this type of payment and clearly define acceptable purpose of such payments as well as the formalities that must be complied with. None of the data in the Audit and Inspection reports drawn up in the different areas of the Group shows the existence of any such payment to political parties, bribes or whatsoever type of payment to persons or companies that act as intermediaries in payments to political parties or candidates.

The scope of consolidation in this report is substantially wider than that of previous financial years, due to the consolidation of data reporting and managing processes. The 2004 Report includes information regarding the responsible conduct of the fixed and mobile telephony operators controlled by Telefónica. Moreover, the information is extended in those cases where the conduct of other subsidiaries is deemed relevant. This is the case of Telefónica I+D in the information on innovation, Atento with respect to employees, the Telefónica Foundation regarding society and T-gestiona in relation to the environment.

Telefónica's Corporate Responsibility Reporting Scheme was reinforced during the 2004 financial year by the following circumstances:

- Collation by an external, independent verifier has contributed to guaranteeing greater accuracy in the information furnished.
- Consolidation of the reports on business lines in other listed Group companies, such as Telefónica Móviles, Terra and TPI.
- Extension of the methodology for preparing the local reports to Brazil, Argentina, Chile and Peru, confirming Telefónica's commitment to the development of corporate responsibility in those countries.
- The use of a corporate responsibility Integrated Information System, which has allowed consolidation of the work done in corporate responsibility by Group companies globally, locally and by business lines.
- Maintenance of a database containing all the news that relates Telefónica to its stakeholders from the viewpoint of commitment and responsibility.

This report, along with the complementary communications of the Telefónica Group on matters of corporate responsibility may be consulted online through the specialised section at the following website [www.telefonica.es/responsabilidadcorporativa](http://www.telefonica.es/responsabilidadcorporativa).

## Legal Disclaimer

The information published on this page was obtained from internal Telefónica Group sources, and thus must be considered for purely informative purposes. The data mentioned may be affected by subsequent events or evolutionary effects, which therefore may alter the content.

Verification by Deloitte & Touche of the GRI indicators included on this page is included on the preceding pages.

**CASE STUDY****SURVEY OF PUBLIC OPINION ON THE 2003 ANNUAL REPORT ON CORPORATE RESPONSIBILITY (11-1)****Specifications**

The 2003 Annual Report on CR was sent to a total of 200 national and international specialists from institutions, companies and NGO's, including consultants, academics and socially responsible investors selected for their expert knowledge. A survey was attached to encourage them to offer suggestions, if they so desired. Of the total, 75% responded, indicating their relationship to the Telefónica Group (more than one profile may be applied).

**PARTICIPANT PROFILE**

*(Data in percentage)*

Customer	60
Company	33
Shareholder	20
Public Administration	20
Member of NGO	20
Employee	13
Institutional Investor	13
Supplier	13
Media	13
Responsible Investor	7

**Main Conclusions**

The overall evaluation of the experts who made suggestions was highly positive in general. The most highly valued aspects (7.1 out of 10) refer to the focus of the report (coherency, length, content, clarity) while those referring to the Group (trust, commitments, driver of development and response to stakeholders) were the least valued (6.1 out of 10).

Data (interest and credibility) and the structure of the report (topics and clarity) were situated between these two results.

**AVERAGE DEGREE OF AGREEMENT**

*(Conversion scale 1-10)*

The Report	6.7
The data	6.6
The focus	7.1
The Group	6.3

**Lines of improvement**

Despite the favourable nature of the assessments received, experts have recommended the following lines of improvement:

- Consolidate the data for all the Group activities
- Indicate the criteria for selection of suppliers
- Greater inter-annual comparison of data to better perceive its evolution
- Independent verification of the data included in the report.

The majority of these suggestions have been included in the present report. The presence of open questions on the survey to encourage qualitative comments, the majority of which were very valuable, has allowed us to go beyond the merely statistical nature of the report and thus pave the way for future improvements.

## CORPORATE DEPARTMENTS THAT COLLABORATED WITH THE PREPARATION OF THE DATA

Chapter	Areas Involved
01 Corporate Governance	Secretariat General
02 Intangible Assets	Human Resources/ Communication (Brand, Reputation and Corporate Social Responsibility) / Industrial Relations (Sponsorships, Forums and Conferences, Corporate Relations)
03 Innovation	Technology and Knowledge Management / Telefónica I+D / Organization and Information Systems
04 Customers	Corporate Marketing / Quality, marketing and customer service departments of the main business lines (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica, TPI, Terra) / Secretariat General / Communication (Online Communication, Advertising, Media) / Data Security
05 Shareholders	Shareholders' Office / Investor Relations
06 Employees	Corporate Human Resources / Human Resources departments of the main lines of business (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica, TPI, Terra, Atento, T-Gestiona) / Communication health and Safety / Telefónica Foundation / ATAM
07 Society	Marketing of main business lines (Telefónica de España, Telefónica Latinoamérica, Telefónica Móviles, Atento) / Institutional Relations / Regulation / Investor Relations / Finance (Consolidation, Capital Markets) / Management Planning and Control / Corporate Reputation and Social Responsibility / Telefónica Foundation / ATAM
08 The Environment	Internal Audit/ Corporate Reputation and Social Responsibility / Environmental departments of the main business lines (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica)
09 Suppliers	Purchasing / Internal Audit
10 Media	Communication
11 You come first	Finance (Consolidation, Capital Markets) / Management Planning and Control
Coordination / Information System	Reputation, Brand and Corporate Social Responsibility (D.G. of Corporate Communications)

**Telefonica, S.A.**

Corporate Responsibility Annual Report 2004

This annual report is available on the Telefónica web site on the internet: [www.telefonica.es](http://www.telefonica.es)

Shareholders may also request copies of this report from the **Shareholders' Office** on the toll free telephone 900 111 004 (in Spain), or by electronic mail at: [accion.telefonica@telefonica.es](mailto:accion.telefonica@telefonica.es)

The information required by the laws in force is also available to shareholders and the public at large.

**Edition**

Directorate General of Corporate Communication of Telefónica, S.A.  
Subdirector General of Brand, Reputation and Corporate Social Responsibility

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