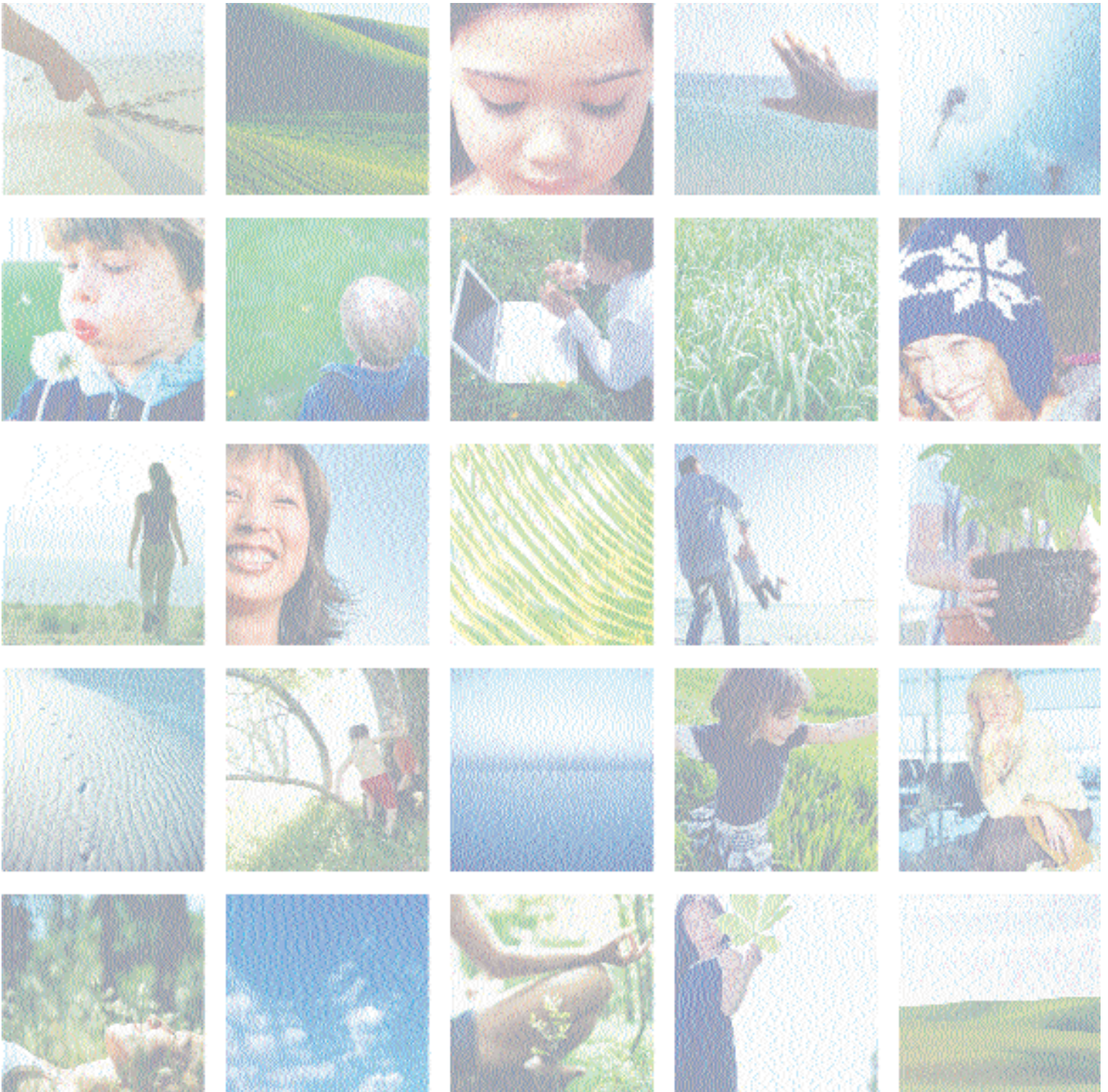


10

Committed to you



100
million customers

1,7
million shareholders

148,000
employees

500
million persons in the
society we work for

17,000
suppliers to Telefónica

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 DIFFERENT SOCIAL GROUPS, SUCH AS SUPPLIERS, EMPLOYEES, PUBLIC ADMINISTRATIONS, LENDING INSTITUTIONS, SHAREHOLDERS AND CUSTOMERS.

● Customers
33,387

The 100 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 1.85% of the Gross Domestic Product of the main countries in which the Group operates (average data in Spain, Argentina, Brazil, Chile and Peru).

Others
234

34,801
millions of euros

● Sale of assets
1,180

● Investment
2,867

Total Income: 34,801

(In millions of euros)

Total Payments: 34,801



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.

●
Public Administrations
6,090

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
12,651
CapEx
3,484

The Telefónica Group redistributes a major part of its revenue through the 17,000 companies with which it collaborates in each one of the countries in which it operates, that contribution is eminently local in each country, as confirmed by the fact that, on average, 88% of the volume of procurement in each country is from local suppliers.

●
Employees
3,958

The Telefónica Group has more than 148,000 employees, being one of the companies that generates more employment in Spain and Latin America.

●
Shareholders
1,487

Shareholder 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 retributions such as capital increase issues, repurchase of shares and their later amortisation, or distribution of shares in subsidiary companies (Antena 3 TV).

●
Financial Creditors
4,264

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 46.7 million euros in social and cultural action, performed by Fundación Telefónica (23.5 million), ATAM (8.8 million) and the rest of the companies in the Telefónica Group (14.6 million).
- The net cost of the universal service obligations in Spain, that came to 224 million euros in 2002, according to Telefónica de España. The Telecommunications Market Commission recognised in February 2004 that the cost of the universal service provided in 2002 had amounted to 110 million euros, the difference being due to discrepancies in consideration of non monetary profit due to ubiquity, the cost of outgoing international traffic termination and the grouping of the 795 zones proposed by Telefónica de España into 587.
- The contribution to the Universal Service Funds in the Latin American countries (Argentina, Chile and Peru, amounting to 39 million euros).

(*)

The information published in this page has been obtained from internal sources of the Telefónica Group, so it must be considered for merely informative purposes. 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 statements of the Telefónica Group, the audited information is included in the consolidated annual accounts.

Some details on the 2003 Corporate Responsibility Report

This document contains the commitments, actions and data of the Telefónica Group in the whole during 2003 in relation to its commitment to responsible Corporate Governance, efficient management of its intangible assets and its relations with customers, shareholders, employees, society, the environment, suppliers and the media.

Not all the information published in the report concerns consolidation of the data from all the companies in the Telefónica Group, and detail is provided of those in which this is not the case. The vocation of Telefónica is to continue to progressively include data, as the management and information reporting processes are gradually consolidated.

As in the 2002 Report, the 2003 Corporate Responsibility Report is based on the GRI (Global Reporting Initiative), through its general guidelines as well as the telecommunication sector supplement. It also aims to respond to all the information needs of the of Social Responsible Investment community.

The Corporate Responsibility reporting scheme at Telefónica has been reinforced during financial year 2003 by the following circumstances:

- Setting up an Integrated Information System based on corporate responsibility, that has allowed global, local or by line of business consolidation, of the performance of the companies in the Group in matters of corporate responsibility.
- Maintenance of a data base with all the news linking Telefónica to its different stakeholders

from the viewpoint of commitment and responsibility.

- Identification and involvement of responsible departments for checking information at the level of all the lines of activity, all the corporate centres in the countries and corporate areas.
- Involvement of the corporate departments assures the reliability and double control of the information presented in the report.
- Preparation of internal regulations on drafting of corporate responsibility reports, developed together with the Internal Audit Department.
- Extension of the model to other listed companies in the Group, such as Telefónica Móviles or TPI, which have adopted the same methodology of consolidation and disclosure of the information

This report, along with the complementary communications of the Telefónica Group in matters of corporate responsibility, may be consulted online in the section on the subject at www.telefonica.es/responsabilidadcorporativa. The validation report drafted by AENOR on this report will be available at the same address.

Note

The information published in the report has been obtained from internal sources of the Company, which may be considered to merely informative ends. The data mentioned in this document may be affected by later events and progression factors that may modify their content.

VALIDACIÓN DE LA MEMORIA DE SOSTENIBILIDAD



VMS-N° 006/04

La Asociación Española de Normalización y Certificación (AENOR) valida la Memoria de la empresa:

TELEFONICA, S.A.

Titulada: *INFORME ANUAL DE RESPONSABILIDAD CORPORATIVA 2003*

Con número de depósito legal: M-16588-2004

Es conforme con los requisitos establecidos por la Guía para la elaboración de Memorias de Sostenibilidad, sobre actuaciones económicas, medioambientales y sociales de la empresa, Junio 2003, elaborada por el Global Reporting Initiative (GRI). La validación se ha realizado con fecha 12 de abril de 2004 no considerando cualquier circunstancia acontecida con posterioridad.

La presente validación es vigente salvo suspensión o retirada notificada en tiempo por AENOR y en las condiciones particulares indicadas en la solicitud n° GRI-006/04 de fecha 29 de marzo de 2004 y en el Reglamento General de validación de memorias de sostenibilidad de fecha enero de 2003 que exige entre otros compromisos permitir las visitas de sus instalaciones por los servicios técnicos de AENOR para comprobar la veracidad de lo declarado.

Fecha de emisión: 16 de abril de 2004

AENOR
El Director General de AENOR

A stylized signature in blue ink is written over a rectangular stamp that contains the word 'AENOR' in a bold, sans-serif font. Below the signature, the text 'El Director General de AENOR' is printed.

	TEF 02	GRI	INDICATOR	PAGE
VISION AND STRATEGY				
G	•	1.1	Organisation's vision and strategy regarding contribution to sustainable development	4, 5, 8, 9, 28-33
G	•	1.2	Statement from the CEO describing key elements of the report	4, 5
PROFILE				
ORGANISATION PROFILE				
G	•	2.1	Name of reporting organisation	Telefónica, S.A.
G	•	2.2	Major products and services, including brands	6-8, 10-11, 22-26
G		2.3	Operational structure of the organisation	6-9
G		2.4	Major divisions, operating companies, subsidiaries and joint ventures	6-11
G	•	2.5	Countries in which the organisation's operations are located	10
G	•	2.6	Nature of ownership; legal form	16-19, Corp Gov-Report
G		2.7	Nature of markets served	6-11
G		2.8	Scale of the reporting organisation	6, 10-13
G	•	2.9	List of stakeholders and key attributes of each	2-3, 28-29
REPORT SCOPE				
G	•	2.10	Contact persons for the report	138-144
G	•	2.11	Reporting period for information provided	138
G	•	2.12	Date of most recent previous report	112, 138
G	•	2.13	Boundaries of report and any specific limitations in the scope	138
G		2.14	Significant changes in size, structure, ownership since previous report	6-9
G		2.15	Basis for reporting on joint ventures, partially owned subsidiaries...	138-139
G		2.16	Explanation of the nature on any re-statements of information provided	138-144
REPORT PROFILE				
G		2.17	Decisions not to apply GRI principles or protocols in the report	Detailed in each one
		2.18	Criteria for accounting for economic, environmental and social impact	N. a.
G		2.19	Significant changes from previous years in the measurement methods	138
G		2.20	Policies to provide assurance about the accuracy, completeness and reliability that can be placed on the sustainability report	138
G		2.21	Policy with regard to providing independent assurance for the report	138-139
G		2.22	Means by which report users can obtain additional information	138-144
CORPORATE STRUCTURE AND MANAGEMENT SYSTEMS				
STRUCTURE AND GOVERNANCE				
G	•	3.1	Governance structure of the organisation	16-19
G	•	3.2	% of the board of directors that are independent, non-executive directors	17-19
G		3.3	Process for determining the expertise board members need to guide the direction of the company, including social and environmental issues	30-33
G	•	3.4	Board-level processes for overseeing organisation's identification and management of economic, social and social risks and opportunities	30
G		3.5	Linkage between executive compensation and achievement of the organisation's financial and non-financial goals	Corp Gov-Report
G		3.6	Organisational structure and key individuals responsible for implementations and audit of economic, environmental, social and related policies	19, 33, 138
G	•	3.8	Mission and values, internally developed codes of conduct	28-30, Annual-Report
G	•	3.8	Mechanisms for shareholders to provide recommendations to the board	54-55
STAKEHOLDER ENGAGEMENT				
G	•	3.9	Basis for identification and selection of major stakeholders	2-3, 28-29
G		3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and stakeholder group	31-32, 48-51, 55, 63-64, 95
G	•	3.11	Type of information generated by stakeholder consultations	31-32, 48-51, 55, 63-64, 95
G	•	3.12	Use of information resulting from stakeholder engagements	2-3, 28-29
OVERCHARGING POLICIES AND MANAGEMENT SYSTEMS				
G		3.13	Explanation on how the precautionary approach is addressed	30, 120
G	•	3.14	Set of principles or initiatives to which the organisation subscribes	31-32
G	•	3.15	Principal memberships in industry and business associations	35
G		3.16	Policies and/or systems for managing upstream and downstream impact	128-129
G		3.17	Reporting organisation's approach for managing upstream and downstream impacts, including supply chain and product stewardship	4-5, 82-84, 120-121
G		3.18	Major decisions during the reporting period regarding the location of operations	82-84
G	•	3.19	Programs and policies pertaining to economic, environmental and social performance	32-33
G	•	3.20	Certification of economic, environmental and social management systems	40, 112-114

	TEF 02	GRI	INDICATOR	PAGE
GRI CONTENT INDEX				
G		4	A table identifying location of each element of the GRI Report Content	140-143
ECONOMIC PERFORMANCE INDICATORS				
CUSTOMERS				
G		EC-01	Net sales	12-13, 82
G	•	EC-02	Geographic breakdown of markets	10-13, 82
SUPPLIERS				
G	•	EC-03	Cost of all goods, materials and services purchased	125, 137
		EC-04	Percentage of contracts paid in accordance with agreed terms	N. a.
G	•	EC-11	Supplier breakdown by organisation and country	124
EMPLOYEES				
G		EC-05	Total payroll and benefits (wages, pensions and other benefits, and compensation for dismissal).	66, 137
CAPITAL SUPPLIERS				
G		EC-06	Distributions to providers of capital broken down by interest on debt and borrowings and dividends on all classes of shares	13, 137
G		EC-07	Increase/decrease in retained earnings at end of period	137
PUBLIC SECTOR				
G		EC-08	Total sum of taxes of all types paid broken down by country	137
G		EC-09	Subsidies received broken down by country or region	137
G		EC-10	Donations to community, civil society and other groups broken down in terms of cash and in-kind donations per type of group	Fundación Tef-Rep
ENVIRONMENTAL PERFORMANCE INDICATORS				
MATERIALS				
L	•	EN-01	Total materials use other than water, by type	116
L	•	EN-02	% of materials used that are wastes from sources external to the reporting organisation	116
ENERGY				
L	•	EN-03	Direct energy use segmented by primary source	115
L	•	EN-04	Indirect energy use	115
WATER				
L	•	EN-05	Total water use	116
BIODIVERSITY				
		EN-06	Location and size of land owned, leased or managed in biodiversity-rich habitats	N. a.
L	•	EN-07	Description of the major impacts on biodiversity associated with activities	114-115, 120-121
EMISSIONS, EFFLUENTS AND WASTE				
L		EN-08	Greenhouse gas emissions	119
		EN-09	Use and emissions of ozone-depleting substances	N. a.
		EN-10	NOx, SOx and other significant air emissions by type	N. a.
L	•	EN-11	Total amount of waste by type and destination	117-118
		EN-12	Significant discharges to water by type	N. a.
		EN-13	Significant spills of chemicals, oils and fuels	N. a.
PRODUCTS AND SERVICES				
G	•	EN-14	Significant environmental impacts of principal products and services	120-121
L	•	EN-15	% of weight of products sold that is reclaimable at the end of the products' useful life	118
		EN-16	Incidents and fines for non-compliance with international conventions and national regulations	N. a.
SUPPLIERS				
G	•	EN-33	Performance of suppliers relative to environmental components of programmes and procedures described	128-129
TRANSPORT				
L	•	EN-34	Environmental impacts of transportation used for logistical purposes	117

G: Group L: Lines N. a.: Not available

TEF 02 indicates presence of the indicator in the Corporate Responsibility Report 2002.

	TEF 02	GRI	INDICATOR	PAGE
SOCIAL PERFORMANCE INDICATORS				
LABOUR PRACTICES AND DECENT JOB				
EMPLOYMENT				
G	•	LA-01	Breakdown of workforce, by regions, employment type and employment contract	62-63
G		LA-02	Net employment creation and average turnover segmented by country	62
COMPANY / WORKER RELATIONS				
G		LA-03	% of employees represented by independent trade union organisations	71-72
G		LA-04	Policy and procedures involving information, consultation and negotiation with employees over changes in the reporting organisation's operations	62-63, 71-72
HEALTH AND SAFETY				
G		LA-05	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO codes	77
G	•	LA-06	Description of formal joint health and safety committees comprising management and worker representatives	76
G		LA-07	Standard injury, lost day and absentee rates	77
G		LA-08	Description on policies or programmes on HIV/AIDS	N. a.
TRAINING AND EDUCATION				
G	•	LA-09	Average hours of training per year per employee by category of employee	68-69
DIVERSITY AND OPPORTUNITY				
G		LA-10	Equal opportunity policies, programmes and monitoring systems	73-74
G		LA-11	Composition of senior management and corporate governance bodies	73
HUMAN RIGHTS				
STRATEGY AND MANAGEMENT				
G	•	HR-01	Description of policies or programmes to deal with all aspects of human rights relevant to operations	71
G	•	HR-02	Evidence of consideration of human right impacts as part of investment and procurement decisions	85-90, 128-129
G		HR-03	Policies and procedures to evaluate human rights performance by contractors associated suppliers	128-129
NON-DISCRIMINATION				
G		HR-04	Description of policies and programmes preventing all forms of discrimination in operations	73-74, 125
FREEDOM OF ASSOCIATION AND COLLECTIVE NEGOTIATION				
G	•	HR-05	Freedom of association policy and extent to which this policy is universally applied	71-72
CHILD LABOUR				
G	•	HR-06	Description of policy excluding child labour	72-73
FORCED AND COMPULSORY LABOUR				
G	•	HR-07	Description of policy to prevent forced and compulsory labour	72
SOCIETY				
COMMUNITY				
G	•	SO-01	Policies to manage impacts on communities in areas affected by activities	84-107
G		SO-04	Awards received relevant to social, ethical and environmental performance	29-30, 102
BRIBERY AND CORRUPTION				
G	•	SO-02	Description of policy, procedures/management systems and compliance mechanisms for organisations and employees addressing bribery and corruption	17, 125
POLITICAL CONTRIBUTIONS				
G		SO-03	Policy, procedures and compliance mechanisms for managing political lobbying and contributions	17
COMPETITION AND PRICES				
L		SO-06	Court decisions regarding cases pertaining to anti-trust and monopoly regulations	42-43
L		SO-07	Policies and procedures to prevent anti-competitive behaviour	42
PRODUCT RESPONSIBILITY				
CUSTOMER HEALTH AND SAFETY				
L	•	PR-01	Policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied	100, 119-120
PRODUCTS AND SERVICES				
L		PR-02	Policy, procedures related to product information and labelling	46
RESPECT FOR PRIVACY				
L		PR-03	Policy, procedures and compliance mechanisms for consumer privacy	43

G: Group L: Lines N.a: Not available

TEF 02 indicates presence of the indicator in the Corporate Responsibility Report 2002.

	TEF 02	GRI	INDICATOR	PAGE
TELECOMMUNICATIONS SECTOR SUPPLEMENT				
INTERNAL OPERATIONS				
INVESTMENTS				
G	•	IO-01	Capital investment in telecommunication network infrastructure broken down by country	82-84
G		IO-02	Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low-income groups, which are not profitable. Describe relevant legislative and regulatory mechanisms	84-85
HEALTH AND SAFETY				
G		IO-03	Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant.	76,119-120
G		IO-04	Compliance with ICNIRP standards on exposure to radiofrequency emissions from handsets	120
G	•	IO-05	Compliance with ICNIRP guidelines on exposure to radiofrequency emissions from base stations	119-120
G		IO-06	Policies and practices with respect to Specific Absorption Rate (SAR) of handsets	120
INFRASTRUCTURE				
G	•	IO-07	Policies and practices with respect to Specific Absorption Rate (SAR) of handsets	114-115
L		IO-08	No. and percentage of stand-alone sites, shared sites, and sites on existing structures	115
PROVIDING ACCESS				
DIGITAL INCLUSION: ACCESS TO THE TELECOMMUNICATIONS SERVICES				
G	•	PA-01	Policies and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas	84-87
G	•	PA-02	Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age	87-90
G	•	PA-03	Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time	41
G		PA-04	Quantify the level of availability of telecommunications products and services in areas where the organisation operates	41, 86
G	•	PA-05	Number and types of telecommunication products and services provided to and used by low and no income sectors of the population. Provide definitions selected	87-89
G	•	PA-06	Programmes to offer and maintain communication services in emergency situations	98-99
ACCESS TO CONTENT				
G	•	PA-07	Policies concerning management of human rights matters related to access and use of telecommunications	99-100, 103-104
CUSTOMER RELATIONS				
G	•	PA-08	Policies and practices to publicly communicate on EMF related issues	119-120
		PA-09	Total amount invested in programmes and activities in electromagnetic field research	N. a.
G		PA-10	Initiatives to ensure clarity of charges and tariffs	46-47
L	•	PA-11	"Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective, and environmentally preferable use."	120-121
TECHNOLOGY APPLICATIONS				
RESOURCE EFFICIENCY				
G	•	TA-01	Provide examples of the resource efficiency of telecommunication products and services delivered	121
G	•	TA-02	Provide examples of telecommunication products, services and applications that have the potential to replace physical objects	121
G		TA-03	Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above	121
		TA-04	Disclose any estimates of the rebound effect (indirect consequences) of customer use of the products and services	N. a.
G		TA-05	Description of practices relating to intellectual property rights and open source technologies	100

CORPORATE DEPARTMENTS INVOLVED IN CONSOLIDATION OF INFORMATION FOR THE REPORT.

Chapter	Areas involved
01 Corporate Governance	Secretariat General
02 Intangibles	Communication (Brand, Sponsorship, Reputation and Corporate Social Responsibility) / Institutional Relations (includes Forums and Conferences) / Telefónica I+D / Secretariat General
03 Customers	Quality, marketing and customer care departments of main lines of business (Telefónica de España, Telefónica Móviles, Telefónica Latinoamérica, TPI, Terra, Atento, t-gestiona) / Secretariat General / Communication (Advertising, Media...)
04 Shareholders	Shareholder's Office / Investor Relations
05 Employees	Human Resources / Internal Communication / Fundación Telefónica / ATAM
06 Society	Marketing of main lines of business (Telefónica de España, Telefónica Latinoamérica, Telefónica Móviles, Atento, TPI) / Institutional Relations / Regulation / Corporate Reputation and Social Responsibility / Fundación Telefónica / ATAM
07 The Environment	Corporate Reputation and Social Responsibility / Environment departments of main lines of business (Telefónica de España, Telefónica Móviles España, TeleSP, Telefónica I+D, TPI)
08 Suppliers	Purchasing
09 Media	Communication
10 Co-ordination / Information System	Corporate Reputation and Social Responsibility (D.G. of Communication)

Telefonica, S.A.

Corporate Responsibility Annual Report 2003

This annual report is available on the Telefónica web site on the Internet: 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

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 Corporate Reputation and Social Responsibility

Graphic concept, design and co-ordination

Olivé | López | Lara

Photography

Ricky Dávila (Chairman); Getty Images, AGE Fotostock (rest of images)

Layout and photocomposition

Cromotex

Printing

egraf, s.a.

Date published: april 2004
Legal deposit: M-16588-2004