

# Letter from the Chairman

Dear Friend,

This is the second consecutive year Telefónica has presented its Corporate Responsibility Annual Report. All the information provided in it is in keeping with our vision: we wish to be your *trusted operator*; and we know the only way to deserve that confidence is, on the one hand, to fulfil the commitments acquired day by day, and on the other, to maintain an attitude of proximity and nearness based on an understanding of your needs, expectations and legitimate interests. Whether you are a customer, shareholder, employee, supplier, or simply a citizen in any of the countries we operate in, Telefónica has a commitment to you.

The report you now have in your hands stems from a basic premise: *the foremost and major responsibility for any company is to do well what it endeavours to do, that which arises from its core business activity*. Therefore, this Report provides information on processes, management systems, and performance indicators... in the day to day business we share with each of our stakeholders. From this extensive, comprehensive document, I would like to highlight some key ideas.

First of all, the sum and consolidation of most of the data in the Report makes us aware of a reality of which we feel legitimately proud: *Telefonica is a powerful driving force of social, economic and technological development in the countries where it operates*. A company the size of the Telefónica Group has an unquestionable ability to contribute to the development of the societies in which it is present: creating employment, driving the economy, offering innovative products and quality available to all; and taking technology to all walks of life so as to reduce the social and digital divide and provide access for citizens to that future represented by the information society. Only by contributing in a responsible manner to a sustainable development of society will Corporate activities also be sustainable in the medium and long term.

Secondly, the Corporate Responsibility Report shows the enormous *ability of Telefónica* to create value beyond its financial assets. Good corporate governance, brand awareness, investment in research and development, commitment to social responsibility or institutional presence, are assets of great value to a company in particular and to its area of operation in

general. Telefónica gives evidence of its commitment to transparency by gathering, quantifying and communicating the value that exists beyond its financial assets. However, we are sure that all the information we now provide is but the beginning of what is yet for us to discover day by day.

Thirdly, linked to the above, there is the importance for a company to maintain *relations based on the confidence of all those* who approach it, be they employees, customers, shareholders, suppliers or citizens at large. Right from the first edition of this Report, our objective has been to record through facts, data, graphs and figures how the values and commitments of the Telefónica Group are implemented. However, we think we could go further, that there is still a lot more hidden value to be found in our daily commitments undertaken with each one of our one hundred million customers, one million six hundred thousand shareholders, one hundred and fifty thousand employees, seventeen thousand suppliers and more than five hundred million citizens of the countries where we work. To maintain the confidence of all these groups is undoubtedly one of our main challenges and one of our most valuable assets.

Lastly, a technical conclusion: this Report has been prepared following the 2002 Global Reporting Initiative Guidelines, resulting in a balanced and reasonable presentation of the economic, environmental and social performance of our organisation. The Corporate Responsibility Report of Telefónica has also become an internal engine to extend best practices within the Group. On the one hand, the information published in it is helping us improve our specific policies for management of our intangible assets, and fulfil our commitments to every one of our stakeholders. To do so, we are using key indicators to know where and how to improve our performance through the design and implementation of specific policies adapted to each country where we operate. On the other hand, several subsidiaries (Telefónica Móviles, TPI...) have already prepared their own 2003 Responsibility Report on these same bases and schemes. Moreover, this same reporting and working methodology has been extended to our companies in countries such as Brazil and Peru during 2004, which will allow us to determine the local contribution made by the Telefónica Group.



The aim of this report is thus to reassess and renew our commitments. Essentially, they are the same as one year ago, as they are based on our values but, certainly, they are all reinforced and extended by another year of work and shared culture. Additionally, they encourage us to undertake the coming year with optimism.

Precisely as it is a core element of the culture we share, we cannot forget that Corporate Responsibility is being built by everyone working at the Telefónica Group. Only if each one of us internally takes on this commitment, whether our individual contribution be small or great, and only by assuming our responsibility in each process, in each gesture and in each decision we take as employees of this company, will we make it a responsible institution.

Finally, I would like to convey my gratitude, to all those who continue to trust in the Telefónica Group; to everyone who has taken an interest in our activity; and, most especially, to all those who directly or indirectly have helped us improve our Corporate Responsibility performance through dialogue and constructive criticism.

Sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

**César Alierta**  
*Chief Executive Officer of Telefónica, S.A.*