

TELEFONICA S A
Form 6-K
June 26, 2008

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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For the month of June, 2008
Commission File Number: 001-09531
Telefónica, S.A.
(Translation of registrant's name into English)
Distrito C, Ronda de la Comunicación, s/n
28050 Madrid, Spain
3491-482 85 48
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes

No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Telefónica, S.A.
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<u>1. Telefonica- Annual Report on Corporate Governance</u>	1

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As provided in article 82 of the Spanish Stock Market Act (*Ley del Mercado de Valores*), TELEFÓNICA, S.A. hereby reports the following

SIGNIFICANT EVENT

Following the indications of the Spanish Securities Exchange Commission, (*Comisión Nacional del Mercado de Valores*) the Board of Directors of TELEFÓNICA, S.A., has approved a new version of the Annual Report on Corporate Governance of the company corresponding to financial year 2007, which affects recommendations 12 and 15 of the Unified Code on Good Governance. The new version of the Report is attached to the present notification. In section F, points 12 and 15 thereof, explanations are given on the degree of compliance with the aforementioned recommendations.

Madrid, June 25th, 2008

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**APPENDIX I
ANNUAL REPORT ON CORPORATE GOVERNANCE
LISTED COMPANIES**

ISSUER S IDENTIFICATION DETAILS DATE OF FINANCIAL YEAR END 31-12-2007

TAX ID CODE:

A28015865

Company Name: TELEFÓNICA, S.A.

Table of Contents**MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES**

For a full understanding of this model and the subsequent drafting of the report, please read the instructions for its completion provided at the end of this report. The CIF, NIF or other Tax ID Code column, which shall not be public, should be completed in all cases in which it is necessary to complete the details of natural or legal persons.

A SHAREHOLDING STRUCTURE**A.1 Fill in the following table regarding the company's share capital:**

Date of latest change	Share Capital ()	Number of shares	Number of voting rights
07-06-2007	4,773,496,485	4,773,496,485	4,773,496,485
Please state whether there are different classes of shares, with different associated rights:			
	Yes o	No p	

Class	Number of shares	Nominal unit value	Voting rights unit	Different rights
All the shares are the same class	4,773,496,485	1.00	1	

A.2 Please list the direct and indirect holders of significant shareholdings in your organisation at financial year end, excluding members of its Board of Directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Caja de Ahorros y Pensiones de Barcelona, la Caixa	102,233	261,644,332	5.483
Banco Bilbao Vizcaya Argentaria, S.A.	298,699,855	17,146	6.258

(*) Through:

Name or company name of direct shareholder	Number of direct voting rights	% of total voting rights
Criteria CaixaCorp, S.A.	261,644,332	5.481
BBVA Seguros, S.A. de Seguros y Reaseguros	17,146	0.000

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Please state the most significant movements in the shareholding structure during the financial year:

Name or company name

Name or company name of shareholder	Date of transaction	Description of transaction
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A.3 Please fill in the following tables regarding members of the Board of Directors of the company who hold voting rights on company shares:

Name or company

name of Company Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Mr. César Alierta Izuel	3,770,333	78,000	0.081
Mr. Isidro Fainé Casas	203,066		0.004
Mr. Vitalino Manuel Nafría Aznar	11,300		0.000
Mr. Julio Linares López	86,456	1,840	0.002
Mr. José María Abril Pérez	300	18,360	0.000
Mr. Fernando de Almansa Moreno-Barreda	19,349		0.000
Mr. José María Álvarez-Pallete López	67,815	1,036	0.001
Mr. David Arculus	10,500		0.000
Mr. Carlos Colomer Casellas	564	34,620	0.001
Mr. Peter Erskine	500		0.000
Mr. Alfonso Ferrari Herrero	569,563	20,800	0.012
Mr. Gonzalo Hinojosa Fernández de Angulo	39,476	390,000	0.009
Mr. Pablo Isla Álvarez de Tejera	401		0.000
Mr. Antonio Massanell Lavilla	2,274		0.000
Mr. Francisco Javier de Paz Mancho	1,000		0.000
Mr. Manuel Pizarro Moreno	1,000		0.000
Mr. Antonio Viana-Baptista	184,549		0.004

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Name or company name of direct shareholder	Number of direct voting rights	% of total voting rights
Grupo Arce de Inversiones, S.A. SICAV	78,000	0.002
Judbem de Inversiones, S.A. SICAV	1,700	0.000
Ms. María Jesús Romaña Pescador	140	0.000
Ms. María Teresa Arandia Urigüen	18,360	0.000
Mr. José María Álvarez-Pallete Samaniego	432	0.000
Mr. Alvaro Álvarez-Pallete Samaniego	302	0.000
Ms. Purificación Samaniego Linares	302	0.000
Ahorro Bursátil, S.A. SICAV	34,620	0.001
Inversiones Singladura, S.A. SICAV	20,800	0.000
Eletres, S.L.	390,000	0.008
Total % of voting rights held by the Board of Directors		0.1152

Please fill in the following tables regarding members of the Board of Directors of the company holding company share options:

Name or company name of Company	Number of direct share option rights	Number of indirect share option rights	Equivalent number of shares	% of total voting rights
Director				
Mr. César Alierta Izuel	245,422		245,422	0.005
Mr. César Alierta Izuel	8,200,000		Not applicable	Not applicable
Mr. José María Álvarez-Pallete López	115,558		115,558	0.002
Mr. Peter Erskine	333,625		333,625	0.006
Mr. Julio Linares López	122,909		122,909	0.002
Mr. Antonio Viana-Baptista	115,558		115,558	0.002
Mr. Alfonso Ferrari Herrero	485,000		Not applicable	Not applicable

A.4 Where applicable, please state any family, commercial, contractual or corporate relationships between owners of significant shareholdings, as far as the Company is aware, unless of little relevance or ensuing from ordinary trading or exchange:

Name or company name of related party	Type of relationship	Brief Description
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A.5 Where applicable, please state any commercial, contractual or corporate relationships between owners of significant shareholdings and the company and/or its group, unless of little relevance or ensuing from ordinary trading or exchange:

Name or company name of related party	Type of relationship	Brief description
Banco Bilbao Vizcaya Argentaria, S.A.	Corporate	Joint shareholding with Telefónica Móviles España, S.A.U. in Mobipay España, S.A. and with Telefónica, S.A. in Mobipay Internacional, S.A.
Banco Bilbao Vizcaya Argentaria, S.A.	Corporate	Joint shareholding with Telefónica de Contenidos, S.A.U. in the company Hispasat, S.A.

A.6 Please indicate any paracorporate agreements reported to the company subject to article 112 of the Securities Market Law. Where applicable, please provide a brief description of the agreement and list the shareholders involved:

Yes No

Parties to paracorporate agreement	% of share capital affected	Brief description of the agreement
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Please indicate any concerted actions among company shareholders of which the company is aware. If any, please provide a brief description:

Yes No

Parties to concerted actions	% of share capital affected	Brief description of the concerted action
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Please state explicitly any change in or break-up of said concerted actions or agreements that has taken place during the financial year:

A.7 Please state whether there is any person or organisation that exercises or may exercise control over the company pursuant to Article 4 of the Securities Market Law. If so, please specify:

Yes No

Name or Company Name

Comments

Table of Contents**A.8 Please fill in the following tables regarding the company's treasury stock:**

At financial year end:

Number of shares held	Number of shares held indirectly	Total % of share capital
directly	(*)	
64,471,368	0	1.351

(*) **Through:**

Name or company name of direct shareholder	Number of shares held directly
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Total:

Please list any significant variations that may have occurred during the financial year, in accordance with Royal Decree 1362/2007:

Date of notification	Total number of direct shares acquired	Total number of indirect shares acquired	Total % of share capital
22-01-2007	54,976,664	0	1.117
03-04-2007	49,374,394	0	1.003
23-07-2007	54,591,568	0	1.144

Gain / (Loss) from sale of treasury stock during the period 22,697,307.31

A.9. Please detail the conditions and effective term of any authorisation(s) conferred by the General Shareholder's Meeting to the Board of Directors to purchase and/or transfer treasury stock.

The Ordinary General Shareholders' Meeting of Telefónica, at its session held on May 10, 2007, resolved to renew the authorisation granted by the GSM of June 21, 2006, for the derivative acquisition of treasury stock, either directly or through Group companies, in the terms literally transcribed below:

To authorise, as set forth in Articles 75 and following, and in the additional provision one, section 2, of the current Spanish Corporations Law (Ley de Sociedades Anónimas), the acquisition, at any moment and as many times as considered necessary by Telefónica, S.A. either directly or through any of the subsidiary companies of which it is the controlling company of fully paid treasury stock, through a purchase-sale transaction or for any other legal valuable consideration.

The minimum acquisition price or compensation will be equivalent to the nominal value of the treasury stock acquired and the maximum acquisition price or compensation will be equal to the market value of the treasury stock on an official secondary market at the time of the acquisition.

Said authorisation is granted for a period of 18 months, as from the date of the current Annual General Shareholders Meeting, and is expressly subject to the limitation that, at any time, the nominal value of the treasury stock acquired under this authorisation, added to that already held by Telefónica, S.A. and any of the controlled subsidiary companies, may exceed 5 percent of the share capital at the time of the acquisition, respecting the limitations set for the acquisition of treasury stock as imposed by the regulatory authorities of the markets on which Telefónica, S.A. shares are listed.

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It is expressly noted that the authorisation granted for the acquisition of treasury stock can be used wholly or partially for the acquisition of shares of Telefónica, S.A. which the Company must deliver or transfer to its directors or employees, or to those of the companies in its Group, directly or as a consequence of them having exercised their option rights, within the framework of the remuneration systems linked to the market value of the company shares, duly approved.

To empower the Board of Directors, in the broadest possible terms, to exercise the authorization derived from this resolution and to execute the remaining items included herein, enabling the Board of Directors to delegate in the Executive Committee, the Executive Chairman of the Board or any other person expressly empowered by the Board to this effect.

The unexecuted part of the resolution adopted by the Company's Annual General Shareholders Meeting of June 21st, 2006, in relation to point V of the Agenda of this same Meeting, shall remain null and void.

A.10 Please indicate any restrictions under law or the company bylaws regarding the exercise of voting rights and any legal restrictions regarding the acquisition and/or transfer of company stock.

Indicate any legal restrictions on exercising voting rights:

Yes No

Maximum percentage of voting rights a shareholder may exercise by legal restriction

Please state whether there are any restrictions in the company bylaws with regard to the exercise of voting rights:

Yes No

Maximum percentage of voting rights a shareholder may exercise, according to restrictions established in the Company's bylaws

10%

Description of legal and company bylaws restrictions regarding the exercise of voting rights

In accordance with Article 21 of the Company Bylaws, no shareholder shall be allowed to cast a number of votes representing more than 10 per 100 of the overall share capital with voting rights existing at any time, regardless of the number of shares he/she actually holds. In ascertaining the maximum number of votes which each shareholder may cast, only those shares owned by each shareholder shall be taken into account, and the shares belonging to other shareholders who have appointed such shareholder as their proxy shall not be included, without prejudice to the aforementioned ten percent limit, which shall apply equally to every represented shareholder.

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The limit established in the above paragraph shall likewise apply to the maximum number of votes that may be cast either jointly or individually - by two or more shareholding companies belonging to the same group of companies, and to the maximum number of votes which may be cast by a natural or legal person holding shares, or the company or companies, also holding shares in the Company directly or indirectly controlled by said natural or legal person.

Please state whether there are any legal restrictions regarding the acquisition or transfer of company stock:

Yes No

Description of legal restrictions regarding the acquisition or transfer of company stock

A.11 Please state whether the General Shareholders Meeting has agreed to adopt measures to neutralise a public purchase offer by virtue of Law 6/2007.

Yes No

If so, please explain the measures approved and the terms of inefficiency of the restrictions:

B STRUCTURE OF CORPORATE ADMINISTRATION

B.1 Board of Directors

B.1.1 Detail the maximum and minimum number of directorships established under the bylaws

Maximum number of directors	20
Minimum number of directors	5

Table of Contents**B.1.2 Complete the following table with the Board members:**

Name or company name of Director	Represented by	Position the Board	Date of first appointment	Date of last appointment	Election procedure
Mr. César Alierta Izuel		Chairman	29-01-1997	10-05-2007	Cooptation with subsequent ratification by the General Shareholders Meeting
Mr. Isidro Fainé Casas		Vice Chairman	26-01-1994	21-06-2006	Cooptation with subsequent ratification by the General Shareholders Meeting
Mr. Vitalino Manuel Nafría Aznar		Vice Chairman	21-12-2005	21-06-2006	Cooptation with subsequent ratification by the General Shareholders Meeting
Mr. Julio Linares López		Chief Executive	21-12-2005	21-06-2006	Cooptation with subsequent ratification by the General Shareholders Meeting
Mr. José María Abril Pérez		Director	25-07-2007	25-07-2007	Cooptation
Mr. Fernando de Almansa Moreno-Barreda		Director	26-02-2003	11-04-2003	Cooptation with subsequent ratification by the General Shareholders Meeting
Mr. José María Álvarez-Pallete López		Director	26-07-2006	10-05-2007	Cooptation with subsequent ratification by the General Shareholders Meeting
Mr. David Arculus		Director	25-01-2006	21-06-2006	Cooptation with subsequent ratification by the General Shareholders Meeting

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Mr. Carlos Colomer
Casellas

Director

28-03-2001

21-06-2006

Cooption with
subsequent
ratification by the
General
Shareholders
Meeting

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Name or company name of Director	Represented by	Position the Board	Date of first appointment	Date of last appointment	Election procedure
Mr. Peter Erskine		Director	25-01-2006	21-06-2006	Cooption with subsequent ratification by the General Shareholders Meeting
Mr. Alfonso Ferrari Herrero		Director	28-03-2001	21-06-2006	Cooption with subsequent ratification by the General Shareholders Meeting
Mr. Gonzalo Hinojosa Fernández de Angulo		Director	12-04-2002	10-05-2007	General Shareholders Meeting
Mr. Pablo Isla Álvarez de Tejera		Director	12-04-2002	10-05-2007	General Shareholders Meeting
Mr. Antonio Massanell Lavilla		Director	21-04-1995	21-06-2006	General Shareholders Meeting
Mr. Francisco Javier de Paz Mancho		Director	19-12-2007	19-12-2007	Cooption
Mr. Manuel Pizarro Moreno		Director	19-12-2007	19-12-2007	Cooption
Mr. Antonio Viana-Baptista		Director	12-01-2000	31-05-2005	Cooption with subsequent ratification by the General Shareholders Meeting

Total Number of Directors

17

Please indicate any members who have left the Board during this period:

Name or company name of director	Type of directorship at time of leaving	Date of leaving
Mr. Gregorio Villalabeitia Galarraga	Proprietary Director	25-07-2007
Mr. Maximino Carpio García	Independent Director	19-12-2007
Mr. Enrique Used Aznar	Independent Director	19-12-2007

Table of Contents**B.1.3 Fill in the following tables regarding the Board members and their different directorships:
EXECUTIVE DIRECTORS**

Name or company name of Director	Committee proposing appointment	Post within the company organisation
Mr. César Alierta Izuel	Nominating, Compensation and Corporate Governance Committee	Executive Chairman
Mr. José María Álvarez-Pallete López	Nominating, Compensation and Corporate Governance Committee	General Manager of Telefónica Latinoamérica
Mr. Peter Erskine	Nominating, Compensation and Corporate Governance Committee	General Manager of Telefónica O2 Europa
Mr. Julio Linares López	Nominating, Compensation and Corporate Governance Committee	Chief Operating Officer
Mr. Antonio Viana-Baptista	Nominating, Compensation and Corporate Governance Committee	General Manager Telefónica España
Total number of executive directors		5
% of total number of Board members		29.4

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Committee proposing appointment	Name or company name of significant shareholder represented or who proposed the appointment
Mr. Isidro Fainé Casas	Nominating, Compensation and Corporate Governance Committee	Caja de Ahorros y Pensiones de Barcelona, la Caixa
Mr. Antonio Massanell Lavilla	Nominating, Compensation and Corporate Governance Committee	
Mr. José María Abril Pérez	Nominating, Compensation and Corporate Governance Committee	Banco Bilbao Vizcaya Argentaria, S.A.
Mr. Vitalino Manuel Nafría Aznar		

Nominating,
Compensation and
Corporate Governance
Committee

Total number of proprietary directors	4
% of total number of members of Board	23.5

Table of Contents**EXTERNAL INDEPENDENT DIRECTORS**

Name or company name of director	Profile
Mr. David Arculus	Graduate in Engineering and Economics. Board Member of Telefónica O2 Europe, Plc., Vice Chairman of CBI and member of the Finance Committee of Oxford University Press.
Mr. Carlos Colomer Casellas	Graduate in Economics. Chairman of the Colomer Group.
Mr. Alfonso Ferrari Herrero	Industrial Engineer. Formerly Executive Chairman of Beta Capital, S.A. and senior manager at Banco Urquijo.
Mr. Gonzalo Hinojosa Fernández de Angulo	Industrial Engineer. Formerly Chairman and CEO of Cortefiel Group.
Mr. Pablo Isla Álvarez de Tejera	Law Graduate. Government Attorney. First Vice Chairman and CEO of Inditex, S.A.
Mr. Manuel Pizarro Moreno	Graduate in Law. Government Attorney. Formerly Chairman of Endesa, S.A.
Mr. Francisco Javier de Paz Mancho	Graduate in Information and Advertising. Law Studies. IESE Business Management Programme. Formerly Chairman of the State-owned company MERCASA.
Total number of independent directors	7
% of total number of members of Board	41.2

OTHER EXTERNAL DIRECTORS

Name or company name of director	Commission proposing appointment
Mr. Fernando de Almansa Moreno-Barreda	Nominating, Compensation and Corporate Governance Committee
Total number of other external directors	1
% total number of Board members	5.9

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List the reasons why they cannot be considered proprietary or independent and their relationship with the company, Board members or shareholders:

Name or company name of director	Reasons	Company, director or shareholder with whom relationship is held
Mr. Fernando de Almansa Moreno-Barreda	Mr. de Almansa was appointed a Member of the Board of Directors of Telefónica, S.A. with the qualification of independent Director, on February 26 th 2003, following a favourable report from the Nominating, Compensation and Corporate Governance Committee.	Alternate Director of BBVA Bancomer México, S.A. de C.V. CEO of the Mexican company Servicios Externos de Apoyo Empresarial, S.A. de C.V.

He is an Alternate Director (independent and non-proprietary) of BBVA Bancomer México, S.A. de C.V., and has never had an executive role.

He is the CEO of the Mexican company Servicios Externos de Apoyo Empresarial, S.A. de C.V., of Group BBVA.

Please indicate any variations that have occurred in the type of directorship held by each director during the period:

Name or company name of director	Date of change	Previous type	Current type
Mr. Fernando de Almansa Moreno-Barreda	Annual Report on Corporate Governance 2007	Independent Director	Other external Directors

B.1.4 Please explain, if applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose stake is less than 5% of the share capital:

Name or company name of shareholder	Reason
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Please indicate whether any formal requests for inclusion in the Board from other shareholders with a stake the same or larger than the others at whose requests proprietary directors have been appointed, have been dismissed. If so, please explain the reasons why the requests have been dismissed:

Yes No

Name or company name of shareholder	Explanation
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B.1.5 Please indicate whether any director has left his/her position on the board before the end of his/her mandate, whether he/she explained their reasons to the Board, and by which means, and in the case that the explanation was provided in writing to all the Board, please explain below, at least the reasons given by the director:

Name of director	Reason for leaving
Mr. Gregorio Villalabeitia Galarraga	Handed in voluntary resignation verbally to the Chairman of the Board of Directors, for personal reasons.
Mr. Maximino Carpio García	Handed in voluntary resignation verbally to the Chairman of the Board of Directors, for personal reasons.
Mr. Enrique Used Aznar	Handed in voluntary resignation verbally to the Chairman of the Board of Directors, for personal reasons.

B.1.6 Indicate, if applicable, any powers delegated to the Managing Director(s):
Mr. César Alierta Izuel Executive Chairman (Chief Executive Officer):

The Chairman of the Company, as the Chief Executive Officer, has been expressly delegated all the powers of the Board of Directors, except those that cannot be delegated by Law, by the Company Bylaws, or by the Regulations of the Board of Directors which establishes, in article 5.4, the competencies that the Board of Directors reserves itself, and may not delegate. Specifically, the Board of Directors has exclusive competence over, among other matters, the following: (i) the general policies and strategies of the Company; (ii) the evaluation of the Board, its Committees and its Chairman; (iii) the appointment of Senior Managers, as well as the remuneration of Directors and Senior Managers; and (iv) strategic investments.

Mr. Julio Linares López Chief Operating Officer:

The Chief Operating Officer has been delegated those powers of the Board of Directors related with the management of the business and the performance of the highest executive functions over all the Company's business areas, except those which cannot be delegated by Law, by the Company Bylaws or by the Regulations of the Board of Directors.

Table of Contents**B.1.7 Identify any board members in senior management or directive posts in other companies forming part of the listed company:**

Name or company name of director	Corporate name of the group company	Post
Mr. César Alierta Izuel	Telefónica O2 Europe, Plc.	Director
Mr. Julio Linares López	Telefónica de España, S.A.U.	Director
	Telefónica DataCorp, S.A.U.	Director
	Telefónica O2 Europe, Plc.	Director
	Telefónica O2 Czech Republic a.s.	First Vice Chairman of Supervisory Board
Mr. Fernando de Almansa Moreno-Barreda	Telefónica Internacional, S.A.U.	Director
	Telefónica del Perú, S.A.A.	Director
	Telefónica de Argentina, S.A.	Director
	Telecomunicações de Sao Paulo, S.A.	Director
	Telefónica Móviles México, S.A. de C.V.	Director
Mr. José María Álvarez-Pallete López	Telefónica Internacional, S.A.U.	Executive Chairman
	Telefónica Móviles España, S.A.U.	Director
	Telefónica de España, S.A.U.	Director
	Telefónica DataCorp, S.A.U.	Director
	Telefónica O2 Europe, Plc.	Director
	Telefónica de Argentina, S.A.	Vice Chairman of the Board
	Telecomunicações de Sao Paulo, S.A.	Vice Chairman of the Board
	Compañía de Telecomunicaciones de Chile, S.A.	Alternate Director
	Telefónica Móviles México, S.A. de C.V.	Vice Chairman of the Board
	Colombia Telecomunicaciones, S.A. ESP	Director
	Telefónica del Perú, S.A.A.	Alternate Director
	Brasilcel, N.V.	Chairman of the Supervisory Board
	Telefónica Móviles Colombia, S.A.	Director
Mr. David Arculus	Telefónica O2 Europe, Plc.	Director
Mr. Peter Erskine	Telefónica O2 Europe, Plc.	Executive Chairman
	Telefónica O2 Czech Republic, a.s.	Chairman of Supervisory Board

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Name or company name of director	Corporate name of the group company	Post
Mr. Alfonso Ferrari Herrero	Compañía de Telecomunicaciones de Chile, S.A.	Director
	Telefónica del Perú, S.A.A.	Director
	Telefónica Móviles Chile, S.A.	Director
Mr. Antonio Viana-Baptista	Telefónica O2 Europe, Plc.	Director

B.1.8 List any company board members who are also members of the board(s) of directors in other companies listed on official securities markets in Spain, other than your own group, that have been reported to the company:

Name or company name of director	Company name of listed company	Post
Mr. César Alierta Izuel	Altadis, S.A.	Director
Mr. Isidro Fainé Casas	Abertis Infraestructuras, S.A.	Chairman
	Criteria CaixaCorp, S.A.	Director
	Repsol YPF, S.A.	2nd Vice Chairman
Mr. Carlos Colomer Casellas	Altadis, S.A.	Director
	Indo Internacional, S.A.	Vice Chairman
	Ahorro Bursátil, S.A. SICAV	Chairman
	Inversiones Mobiliarias Urquiola S.A. SICAV	Chairman
Mr. Gonzalo Hinojosa Fernández de Angulo	Altadis, S.A.	Director
	Dinamia Capital Privado, S.A., SCR	Director
Mr. Pablo Isla Alvarez de Tejera	Inditex, S.A.	First Vice Chairman and CEO
Mr. Julio Linares López	Sogecable, S.A.	Director
Mr. Manuel Pizarro Moreno	Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Vice Chairman

Table of Contents**B.1.9 Please indicate whether, and if so, explain, the company has established rules regarding the number of Boards its directors can belong to:**Yes No **Explanation of rules**

The Nominating, Compensation and Corporate Governance Committee establishes as one of the obligations of the Directors (article 29 of the Board Regulations) that they should devote the necessary time and effort to their work, and to these effects, that they should inform said Committee of their other professional obligations in case they could interfere with their duties as Directors.

In addition (article 32.g of the Board Regulations), the Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, may forbid Directors to hold the post of relevant positions at competitors companies of Telefónica or of any of the Group companies.

B.1.10 In accordance with recommendation number 8 of the Unified Code, please indicate the general policies and strategies of the company which must be approved by the Board in full:

	Yes	No
The investment and financing policy	X	
The definition of the structure of the group of companies	X	
The corporate governance policy	X	
The corporate social responsibility policy	X	
The strategic or business Plan, as well as the management aims and annual budgets	X	
The remuneration policy and performance assessment of senior management	X	
The policy of risk management and control, as well as the periodic monitoring of the internal information and control systems	X	
The dividend policy, as well as the treasury stock policy and, especially, any applicable limits.	X	

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Remuneration item	Thousand euros
Fixed remuneration	7,983.24
Variable remuneration	4,102.12
Allowances	211.25
Token Payments	0
Stock options and/or other financial instruments	0
Other	33.89
TOTAL:	12,330.51

Other Benefits	Thousand euros
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	25.44
Pension Plans and Funds: Commitments	0
Life Insurance premiums	78.61
Guarantees constituted by the company in favour of directors	

b) For belonging to other Boards of Directors and/or senior management of group companies:

Remuneration item	Thousand euros
Fixed remuneration	3,422.14
Variable remuneration	5,424.11
Allowances	0
Token Payments	0
Stock options and/or other financial instruments	0
Other	2.75
TOTAL:	8,849.01

Other Benefits	Thousand euros
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	7.57
Pension Plans and Funds: Commitments	0
Life Insurance premiums	11.04
Guarantees constituted by the company in favour of directors	0

Table of Contents**c) Total remuneration by type of directorship:**

Type of director	By company	By group
Executives	9,387.76	8,510.59
External proprietary	1,095.42	0
External independent	1,631.08	198.44
Other external	216.25	139.98
Total	12,330.51	8,849.01

d) With regard to the profit attributed to the controlling company:

Total directors remuneration (thousand euros)	12,330.51
Total directors remuneration/benefits attributed to the controlling company (in %)	0.186

B.1.12 Please identify the members of senior management who are not also executive directors and indicate total remuneration accruing to them during the year:

Name or company name	Post
Mr. Luis Abril Pérez	Manager of the Chairman's Technical Office
Mr. Santiago Fernández Valbuena	General Manager of Finance and Corporate Development
Mr. Calixto Ríos Pérez	Internal Auditing Manager
Mr. Ramiro Sánchez de Lerín García-Ovies	General Legal Secretary and of the Board of Directors

Total remuneration of senior management (thousand euros)	4,813.28
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B.1.13 Identify in aggregate terms any guarantees or golden parachute clauses in case of dismissal or changes in control benefiting senior managers (including executive directors) of the company or its group. Indicate whether these contracts must be reported to and/or approved by the governing bodies of the company or its group:

Number of beneficiaries	9				
Body authorising the clauses	<table> <thead> <tr> <th>Board of Directors</th> <th>General Shareholders Meeting</th> </tr> </thead> <tbody> <tr> <td>X</td> <td></td> </tr> </tbody> </table>	Board of Directors	General Shareholders Meeting	X	
Board of Directors	General Shareholders Meeting				
X					
Is the General Shareholders Meeting informed of these clauses?	<table> <thead> <tr> <th>YES</th> <th>NO</th> </tr> </thead> <tbody> <tr> <td>X</td> <td></td> </tr> </tbody> </table>	YES	NO	X	
YES	NO				
X					

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B.1.14 Indicate the process for establishing board members remuneration and any relevant clauses in the Bylaws.

Process for establishing board members remuneration and any relevant clauses in the Bylaws

In accordance with Article 28 of the Bylaws, Directors remuneration shall be comprised of a fixed monthly allowance plus expenses for attending meetings of the Board of Directors and its executives or consultative Committees. The amount corresponding to the remuneration the Company may pay its Directors collectively for both items shall be that established for said purpose by the General Shareholders Meeting, and shall remain in force until this body resolves that it be changed. To this effect, the General Shareholders Meeting held on April 11th 2003 fixed the maximum gross annual sum for remuneration to the Board of Directors at 6 million euros.

The Board of Directors shall determine the exact amount to be paid within that limit and how it is divided amongst the Directors.

In accordance with article 35 of the Regulations of the Board of Directors, Directors have the right to obtain the remuneration established by the Board of Directors in accordance with the bylaws, and subsequent to a report from the Nominating, Compensation and Corporate Governance Committee.

In accordance with article 5 of this same regulatory text, the Board of Directors expressly reserves the duty to approve both the Directors remunerations policy and the decisions related to their remuneration.

The Nominating, Compensation and Corporate Governance Committee has the following competencies (article 22 of the Regulations of the Board of Directors):

Proposing to the Board of Directors the remuneration of the Board of Directors and revising it regularly in order to ensure it is in accordance with the work carried out by them.

Proposing to the Board of Directors the extent and amount of the remunerations, rights and financial compensation, of the President and the executive Directors, including the basic conditions of their contracts for their inclusion in the corresponding contracts.

Drawing up and proposing to the Board of Directors for its approval an annual report on the remuneration policy of Directors.

Additionally, apart from such remuneration as is provided for under the previous section, other remuneration systems may be established that may either be indexed to the market value of the shares, or consist of stock or of stock options for the Directors. The application of said remuneration systems must be authorised by the General Shareholders Meeting, which shall fix the share value that is to be taken as the term of reference thereof, the number of shares to be given to each Director, the exercise price of the stock options, the term of such remuneration system and such other terms and conditions as deemed appropriate.

The remuneration systems set out in the preceding paragraphs, arising from membership of the Board of Directors, shall be deemed compatible with any and all other professional or work-based compensations to which the Directors may be entitled in consideration for whatever executive or advisory services they may provide for the Company other than such supervisory and decision-making duties as may pertain to their posts as Directors, which shall be subject to the applicable legal provisions.

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Please state whether the Board in full has reserved the right to approve the following decisions:

	Yes	No
At the proposal of the first executive of the company, the appointment and possible termination of senior managers, as well as their compensation clauses.	X	
The remuneration of directors, as well as, in the case of executive directors, the additional remuneration for his/her executive duties and other conditions their contracts must respect.	X	
B.1.15 Please state whether the Board of Directors approves a detailed remuneration policy and specify the matters on which it issues an opinion:		
Yes <input type="checkbox"/>		No <input type="checkbox"/>
	Yes	No
Amount of fixed remuneration items, with breakdown, if applicable of allowances for belonging to the Board and its Committees and an estimate of the resulting fixed annual remuneration	X	
Variable remuneration items	X	
Main characteristics of the benefits system, with an estimate of their amount or equivalent annual cost.	X	
Conditions that must be respected in contracts of those who exercise senior management functions as executive directors	X	

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B.1.16 Please state whether the Board puts to vote at the General Shareholders Meeting, as a separate point in the order of the day, and for consultation purposes, a report on the board member remuneration policies. If applicable, explain the aspects of the report with regard to the remuneration policy approved by the Board for future years, the most significant changes of said policies with regard to that applied during this financial year and a global summary of how the remuneration policy was applied during the financial year. Please provide details of the role played by the Compensation Committee and, if external advice was sought, the identity of the external consultants who provided said advice:

Yes No

Issues covered by the report on remuneration policy

Aims of remuneration policy

Detailed structure of remuneration.

Scope of application and reference parameters for variable remuneration.

Relative importance of variable remuneration with regard to fixed remuneration.

Basic conditions of contracts of Executive Directors.

Evolution of remuneration.

Design process of remuneration policy.

Role played by Compensation Committee

To report to the Board of Directors on issues regarding remuneration policy.

	Yes	No
Was external advice sought?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Identify the external consultants	Towers Perrin	

B.1.17 Indicate the identity of any board members who sit on board(s) of directors or hold senior management posts in companies having significant shareholdings in the listed company and/or its group companies:

Name of company name of director	Company name of significant shareholder	Post
Mr. Fernando de Almansa Moreno-Barreda	Banco Bilbao Vizcaya Argentaria, S.A.	CEO of the Mexican company Servicios Externos de Apoyo Empresarial, S.A. de C.V.
	Banco Bilbao Vizcaya Argentaria, S.A.	Alternate Director of BBVA Bancomer México, S.A. de C.V.
Mr. Isidro Fainé Casas	Caja de Ahorros y Pensiones de Barcelona, la Caixa	Director of Criteria CaixaCorp, S.A. Chairman of Caja de Ahorros y Pensiones de Barcelona, la Caixa Director of Caifor, S.A.

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Name of company name of director	Company name of significant shareholder	Post
Mr. Antonio Massanell Lavilla	Caja de Ahorros y Pensiones de Barcelona, la Caixa	Executive Deputy General Manager of Caja de Ahorros y Pensiones de Barcelona, la Caixa Executive Chairman of Serveis Informàtics la Caixa, S.A. Director of e-la Caixa 1, S.A. Director of Caixa Capital Desarrollo, S.C.R., S.A. Director of Caixa Capital Risc, S.G.E.C.R., S.A. Director of Espacio Pyme, S.A. Director of Bousorama, S.A. Chairman of Fundació Barcelona Digital Director of Port Aventura, S.A.

Please detail, if applicable, any relevant relationships other than those mentioned in the previous paragraph, of the members of the Board of Directors whereby they are related with significant shareholders and/or companies of the group:

Name or company name of director with relationship	Name or company name of significant shareholder with relationship	Description of relationship
Mr. Vitalino Manuel Nafría Aznar	Banco Bilbao Vizcaya Argentaria, S.A.	Early retirement. Formerly Retail Banking Manager for Spain and Portugal.
Mr. José María Abril Pérez	Banco Bilbao Vizcaya Argentaria, S.A.	Early retirement. Formerly Wholesale and Investment Banking Manager.

B.1.18 Please indicate whether there have been any changes to the Board regulations during the financial year:

Yes No

Description of changes

The Board of Directors of Telefónica, S.A., after the publication by the Comisión Nacional del Mercado de Valores (CNMV- Spanish Securities Exchange Commission-) of the Unified Code of Good Governance, at its meeting held on November 28, 2007, agreed to modify certain articles of its Regulations. Said modifications were notified to the CNMV and inscribed in the Mercantile Register of Madrid on January 4, 2008.

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The main reasons justifying the aforementioned modifications of the Regulations of the Board of Directors were the following:

- (i) To include those recommendations established in the Unified Code of Good Governance that were deemed convenient.
- (ii) To make technical improvements to the contents and systemation of the Regulations, completing and clarifying the regulation of certain issues.
- (iii) To adapt the Regulations to some of the modifications entered in the Company Bylaws and in the Regulations of the Company's General Shareholders' Meeting, approved by the past General Shareholders' Meeting of May 10, 2007.

Below we detail the contents of the main modifications introduced in the Regulations of the Board of Directors of the Company, as well as the basis and justification of each of them.

Modifications regarding the competencies of the Board of Directors.

The Regulations establish that the Board of Directors reserves certain competencies, which it cannot delegate, regarding:

- i) Policies: Strategic plans; Definition of the structure of the Group of Companies; Corporate Governance and Corporate Responsibility; Dividends and Treasury Stock; Risks; and Remuneration of Directors and Senior Managers.
- ii) Decisions: Assessment of the Board, its Committees and its Chairman; Appointment of Senior Managers and basic contract conditions; Remuneration of the Directors and Senior Managers; Strategic Investment; Creation or acquisition of interests in special-purpose entities or entities domiciled in countries considered to be tax havens; and Public Financial Information.

Modifications regarding the composition of the Board of Directors.

Explicit inclusion of the proportion of 1/3 of independent Directors; definition of the different categories of Directors, in accordance for the most part with the Unified Code of Good Governance; as well as the category of other external Directors.

Modifications regarding the remuneration of Directors and Senior Managers.

It is established that an annual report on the policy of remuneration Directors must be approved, with an explanation of its criteria and basis, and that the Board must establish the remuneration of Directors and Senior Managers (those who report directly to the Chairman).

Modifications regarding the appointment of Directors.

Independent Directors must be appointed at the proposal of the Nominating, Compensation and Corporate Governance Committee, and the remaining Directors, on the basis of a report from said Committee.

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Modifications regarding the duration of the post.

Given that there are no recommendations regarding this in the Unified Code of Good Governance or in any other international recommendation, the limits established both for the duration of the post as Director (70 years of age), and for executive posts (65 years of age) are eliminated.

Modifications regarding the Audit and Control Committee.

A greater breakdown of the duties assigned to this Committee is included with regard to the Internal Auditor, the External Auditor, the Internal Control Systems, and the Financial Information. In addition, the incident reporting channel is included expressly in the Regulations.

Modifications regarding the Nominating, Compensation and Corporate Governance Committee.

It is established expressly that this Committee should be comprised by a majority of independent Directors, and in any case the Chairman of the Committee should be an independent Director. In addition, an improvement is introduced in the drafting and systemation of the duties of this Committee, specifying and clarifying its regulation in certain aspects.

Modifications regarding the change of name of the Nominating and Compensation and Corporate Governance Committee and the Human Resources and Corporate Reputation Committee.

The name of these Committees is modified to Nominating, Compensation and Corporate Governance Committee (improvement of a merely technical nature) and Human Resources, Reputation and Corporate Responsibility Committee (with the aim of adapting the name to the current functions and duties of this Committee).

B.1.19 Indicate any procedures for appointment, re-election, assessment and removal of Directors. List the competent bodies, the steps to be followed and the criteria to be applied in each of the procedures.

Appointment

Telefónica's Company Bylaws establish that the Board of Directors shall be composed of a minimum of five and a maximum of twenty members, who shall be appointed by the General Shareholders Meeting. The Board of Directors may, in accordance with the provisions set out in the Spanish Corporations Law and in the Company Bylaws, fill vacant positions temporarily by cooption.

To this effect, it is important to note that the appointment of Board members in Telefónica is, as a general rule, submitted for approval by the General Shareholders Meeting. It is only on certain occasions, when such a measure is essential due to vacancies on the Board arising after the last GSM, that the Board appoints members by cooption, in keeping with the provisions of the Corporations Law (Ley de Sociedades Anónimas), subject to later ratification by the first subsequent GSM held.

In all other cases, the proposed appointments must follow the procedure set out in the Regulations of the Board of Directors, and must be preceded by the relevant favourable report from the Nominating, Compensation and Corporate Governance Committee, and in the case of independent Directors, by the corresponding proposal.

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Thus, in accordance with the duties assigned to the Nominating, Compensation and Corporate Governance Committee, it should report, with objectivity and in line with social interests, the proposals for nominating, re-electing and removal of Company Directors, assessing the necessary competencies, knowledge and experience of the candidates to cover the vacancies.

In line with the provisions of the Regulations, when exercising its rights of cooption and proposal of appointments to the General Shareholders Meeting, the Board of Directors shall endeavour to ensure that external or non-executive Directors are in a clear majority over executive Directors. Similarly, the Board shall endeavour to ensure that the independent Directors comprise at least a third of the total number of Board members.

Likewise, the type of directorship of each Director will be explained by the Board of Directors before the General Shareholders Meeting that must carry out or ratify their appointment. The type of directorship will be revised on an annual basis by the Board, subsequent to the verification by the Nominating, Compensation and Corporate Governance Committee, providing information of this in the Annual Report on Corporate Governance.

In any case, and in the event of re-election or ratification of Directors by the General Shareholders Meeting, the report of the Nominating, Compensation and Corporate Governance Committee, or, in the case of independent Directors, the proposal of said Committee, will contain an assessment of the work and effective time devoted to the post during the last period in which it was held by the proposed Director.

Lastly, both the Board of Directors and the Nominating, Compensation and Corporate Governance Committee will ensure, within the scope of their competencies, that the election of whoever has been proposed for the post of Director corresponds to people of recognised solvency, competence and experience, who are willing to devote the time and effort necessary to carrying out their functions, it being essential to be rigorous in the election of those people called to cover the posts of independent Directors.

Re-election

Directors are appointed for a term of five years and may be re-elected one or more times for periods of the same duration.

Like with proposals for appointment, proposals for re-election of Directors must be preceded by the relevant favourable report issued by the Nominating, Compensation and Corporate Governance Committee, and, in the case of independent Directors, by the corresponding proposal.

Assessment

In accordance with the Regulations of the Board of Directors, the latter reserves expressly the duty to approve on a regular basis its functioning and the functioning of its Committees, it being the duty of the Nominating, Compensation and Corporate Governance Committee to organise and coordinate, together with the Chairman of the Board of Directors, the regular assessment of said Body.

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Removal

Directors shall cease to hold office when the term for which they were appointed elapses, or when such removal is resolved by the General Shareholders Meeting, in the exercise of the powers granted to this body by law.

B.1.20 Indicate under what circumstances directors are obliged to resign.

In accordance with Article 12 of the Regulations of the Board, Directors must place their offices at the disposal of the Board of Directors and formalise the relevant resignation in the following cases:

- a) When they cease to hold the executive positions to which their appointment as Directors is linked, or when the reasons for which they were appointed disappear.
- b) When they incur in any of the cases of incompatibility or barring envisaged by law.
- c) When severely admonished by the Nominating, Compensation and Corporate Governance Committee for having failed to fulfil any of their obligations as Directors.
- d) When their continued presence on the Board may affect the credibility or reputation of the Company in the market, or places the Company's interests at risk in any other way.

The Board of Directors will not propose the removal of any independent Director before the established period for which they were nominated has been completed, save in cases of fair cause, as judged by the Board subsequent to a report by the Nominating, Compensation and Corporate Governance Committee. In particular, it will be deemed that there is fair cause when the Director has failed to comply with the duties inherent to their post.

It will also be possible to propose the removal of independent Directors as a result of Public Tender Offers, mergers or other similar company transactions that require a change in the structure of the capital of the company.

B.1.21 Explain whether the duties of the chief executive officer fall upon the Chairman of the Board. If so, indicate the measures taken to limit the risk of the accumulation of powers in a single person:

Yes No

Measures to limit risks

Pursuant to the provisions of the Regulations of the Board of Directors, the actions of the Chairman must follow the criteria established by the General Shareholders Meeting, the Board of Directors and the Board Committees at all times.

Likewise, all agreements or decisions of particular significance for the Company must be previously submitted for the approval of the Board of Directors or the relevant Board Committee, as the case may be.

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In addition, reports and proposals from the different Board Committees are required for the adoption of certain resolutions.

It is important to emphasise that the Chairman does not hold the casting vote within the Board of Directors.

The Board of Directors of the Company, at its meeting held on December 19, 2007, agreed to appoint Mr. Julio Linares López Chief Operating Officer of Telefónica, S.A., reporting directly to the Chairman and with responsibility over all of Telefónica Group's Business Units.

Please indicate and, if applicable, explain, whether regulations have been established enabling one of the independent directors to request that a Board Meeting be called or to include new points in the order of the day, to coordinate and reflect the concerns of external directors and direct the assessment by the Board of Directors

Yes No
Explanation of rules

Even though there is no express empowerment in favour of an independent Director to the indicated effects, the Company considers that this recommendation can be deemed as fulfilled due to the following reasons:

In accordance with article 29 of the Regulations of the Board, all the Company's Directors, including, therefore, independent Directors, may call a meeting of the Board of Directors when they deem it pertinent, or may request the inclusion in the Order of the Day of any aspects or issues they wish.

Likewise, in accordance with article 13.3 of the aforementioned Regulations, it is the responsibility of the Chairman of the Nominating, Compensation and Corporate Governance Committee a post which will in any case be held by an independent Director (article 22 of the Regulations)-, together with the Chairman of the Board of Directors, to organise and coordinate the regular assessment of the Board.

B.1.22 Are super-majorities other than those established by law required for certain decisions?

Yes No

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Indicate how the Board of Directors adopts resolutions, including at least the minimum quorum of attendees and the types of majorities required to pass resolutions:

Adoption of resolutions

Description of resolution

All resolutions

Quorum

Personal or proxy attendance of one half plus one of all Directors.

Type of Majority

Resolutions are adopted by the majority of votes of Directors present or represented at the session, except in those cases where the law requires the favourable vote of a higher number of Directors for specific resolutions and in particular for (i) the appointment of Directors not holding a minimum of shares representing a nominal value of 3000 euros, (article 25 of the Company Bylaws) and (ii) for the appointment of Chairman, Vice Chairman, CEO or member of the Executive Committee, in accordance with the requirements explained in the following section.

B.1.23 Explain whether there are other requirements, other than those for Directors, for being appointed Chairman.

Yes No

Description of requirements

In order for a Director to be appointed Chairman, he/she must have been a member of the Board for at least three years prior to such appointment. However, the aforementioned seniority is not required when the appointment is effected with the favourable vote of at least 85 percent of the members of the Board of Directors.

B.1.24 Indicate whether the Chairman has the casting vote:

Yes No

Matters for which there is a casting vote

B.1.25 Please indicate whether the Company Bylaws or the Board regulations establish an age limit for Directors:

Yes No

Age limit for Chairman

Age limit for CEO

Age limit for Directors

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B.1.26 Please indicate whether the Company Bylaws or the Board Regulations establish a limit on the term of office of independent Directors:

Yes No

Maximum number of years in office

B.1.27 If the number of female directors is low or zero, please explain the reasons and the measures adopted to correct this situation.

Explanation of reasons and measures

Specifically, please indicate whether the Nominating and Compensation Committee has established procedures to ensure that the selection processes are not implicitly biased against the selection of female directors and that they deliberately seek female candidates that meet the required profile:

Yes No

Description of the main procedures

In accordance with article 10.3 of the Board Regulations, the Board of Directors and the Nominating, Compensation and Corporate Governance Committee, will make every effort, within the scope of their respective competencies, to ensure that the election of whomever has been proposed for the post of Director goes to the people with recognised reputation, competence and experience, who are prepared to devote the time and effort necessary to carry out their duties.

B.1.28 Indicate whether there are formal processes for proxy voting in the Board of Directors. If so, please describe briefly.

In accordance with article 18 of the Regulations of the Board of Directors, Directors must attend Board meetings in person. When, in exceptional cases, they cannot attend in person, they must endeavour that the representation granted in favour of another member of the Board includes, as far as is possible, the relevant instructions. Such proxies may be granted by letter or any other medium that, in the opinion of the Chairman, offers sufficient certainty and validity.

B.1.29 Indicate the number of meetings held by the Board of Directors during the financial year. Likewise, indicate the number of times, if any, the Board has met in the absence of its Chairman:

Number of Board meetings	12
Number of Board meetings held in the absence of its chairman	0

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Indicate the number of Board Committee meetings held during the financial year:

Number of Executive Committee meetings	16
Number of Audit and Control Committee meetings	11
Number of Nominating, Compensation and Corporate Committee meetings	10
Number of Human Resources, Reputation and Corporate Responsibility Committee meetings	4
Number of Regulation Committee meetings	11
Number of Service Quality and Customer Service Committee Meetings	4
Number of International Affairs Committee meetings	5

B.1.30 Please state the number of Board meetings held during the financial year in which all its members did not attend. Representatives sent without specific instructions count towards the final count:

Number of absences of board members during the year	2
% of absences with regard to total number of votes during the exercise	0.98

B.1.31 Indicate whether the individual and consolidated accounts are certified prior to their presentation to the Board of Directors for their approval:

Yes No

Identify, if applicable, the person(s) certifying the individual and consolidated accounts for their formulation by the Board:

Name	Post
-------------	-------------

B.1.32 Explain the mechanisms, if any, established by the Board of Directors to avoid presenting the individual and consolidated accounts to the General Shareholders Meeting with exceptions in the auditor's report.

Through the Audit and Control Committee, the Board of Directors plays an essential role supervising the preparation of the Company financial information, controlling and coordinating the various players that participate in this process. With this in view and to achieve this objective, the Audit and Control Committee's work addresses the following basic questions:

(i) to have knowledge of the financial information process and the Company's internal control systems. With regard to this:

- a) To supervise the process of compilation and the integrity of the financial information related to the Company and the Group, reviewing compliance with the regulatory requirements, the right limitation of the scope of consolidation and the correct application of the accounting criteria, providing reports to the Board of Directors.

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- b)** To propose to the Board of Directors a policy of risk control and management, which will identify, at least:
 - (i)** the types of risk (operational, technological, financial, legal and reputational) which the company faces;
 - (ii)** the level of risk which the company deems acceptable;
 - (iii)** the measures for mitigating the impact of the identified risks should they materialise;
 - (iv)** the control and informaion systems to be employed to control and manage said risks.
- (ii)** to ensure the independence of the External Auditor, supervising their work and acting as a channel of communication between the Board of Directors and the External Auditor, as well as between the External Auditors and the Company management team;
- (iii)** to supervise the internal Auditing services; and, in particular:
 - a)** To safeguard the independence and efficacy of the internal auditing function;
 - b)** To propose the selection, appointment and removal of the person responsible for the internal auditing service;
 - c)** To propose the budget for that service;
 - d)** To review the annual internal auditing work plan and the annual activity report;
 - e)** To receive regular information of its activities; and
 - f)** To verify that senior management takes into account the conclusions and recommendations of its reports.

The Audit and Control Committee verifies both the periodical financial information and the Annual Company Accounts, ensuring that all financial information is drawn up according to the same professional principles and practises. To this effect, the Audit and Control Committee meets whenever appropriate, having held eleven (11) meetings in the course of 2007.

Furthermore, the External Auditor participates regularly in the Audit and Control Committee meetings, when called to do so by the Committee, to explain and clarify different aspects of the audit reports and other aspects of its work. Additionally, and on request from the Committee, other members of the Company management team and that of its subsidiary companies have also been called to Committee meetings to explain specific matters that are directly within their scope of competence. In particular, officers in the areas of finance, planning and controlling, as well as those in charge of internal audits, are often convened to participate in these meetings. The members of the Committee have held separate meetings with each of these persons when it has deemed such a measure necessary in closely monitoring the preparation of the Company financial information.

The above notwithstanding, Article 41 of the Regulations of the Board of Directors establishes that the Board of Directors shall ensure it definitively formulates the accounts in such a manner that no exceptions are raised by the Auditor. However, when the Board considers it must maintain its criteria, it shall publicly explain the content and scope of the discrepancies.

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B.1.33 Is the secretary of the Board a director?

Yes No

B.1.34 Explain the procedures for the appointment and removal of the Secretary of the Board, stating whether their appointment and removal have been reported by the Nominating Committee and approved in full by the Board.

Procedure of appointment and removal

In accordance with article 15 of the Regulations of the Board of Directors, the Board, at the proposal of the Chairman, and subsequent to a prior report of the Nominating, Compensation and Corporate Governance Committee, will appoint a Secretary of the Board, it being necessary to follow the same procedure to agree on his or her removal.

	Yes	No
Does the Nominating Committee notify the appointment?	X	
Does the Nominating Committee notify the removal?	X	
Does the Board in full approve the appointment?	X	
Does the Board in full approve the removal?	X	

Is the secretary of the Board responsible for safeguarding the good governance recommendations?

Yes No

Comments

In any case, the Secretary will endeavour to ensure the formal and material legality of the actions of the Board, ensuring that they are in accordance with the company Bylaws, with the Regulations of the GSM and the Regulations of the Board, and that they take into account the good governance recommendations undertaken by the Company and in force at any given time (article 15 of the Regulations of the Board).

B.1.35 Please state the mechanisms, if any, established by the company to preserve the independence of the auditor, of financial analysts, investment banks and rating agencies.

With regards to the independence of the external Auditor of the Company, Article 41 of the Regulations of the Board of Directors establishes that the Board shall establish, through the Audit and Control Committee, a stable, professional relationship with the Company Accounts Auditor, strictly respecting its independence. Thus, one of the fundamental duties of the Audit and Control Committee is to maintain relations with the Company Accounts Auditor to receive information on those matters that may jeopardise the independence of this figure .

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In addition, in accordance with Article 21 of the Regulations of the Board of Directors, it is the Audit and Control Committee that proposes to the Board of Directors, for submission to the General Shareholders Meeting, the appointment of the Accounts Auditor as well as, when appropriate, the terms of engagement, the scope of the professional mandate and revocation or renewal of the appointment.

Likewise, the External Auditor has direct access to the Audit and Control Committee and participates regularly in its meetings, in the absence of the Company management team when this is deemed necessary. To this effect, and in keeping with United States legislation on this matter, the external Accounts Auditor must inform the Audit and Control Committee at least once annually on the most relevant generally accepted auditing policies and practises followed in the preparation of the Company's financial and accounting information that affect relevant elements in the financial statements which may have been discussed with the management team, and of all relevant communications between the Accounts Auditor and the Company management team.

In accordance with internal Company regulations and in line with the requirements imposed by legislation in the United States, the engagement of any service from the external Company Accounts Auditor must always have the prior approval of the Audit and Control Committee. Moreover, the engagement of non-audit services must be done in strict compliance with the Accounts Audit Law (in its version established in Law 44/2002 of 22 November, on Financial System Reform Measures) and the Sarbanes-Oxley Act published in the United States and subsequent regulations. For this purpose, and prior to the engagement of the Accounts Auditor, the Audit and Control Committee studies the content of the work to be done, weighing the situations that may jeopardise independence of the Company Accounts Auditor and specifically supervises the percentage the fees paid for such services represent in the total revenue of the auditing firm. Thus, the Company reports the fees paid to the external Company Accounts Auditor, including those paid for non-audit services, in its Annual Report, in accordance with the legislation in effect.

B.1.36 Please state whether during the financial year, the Company has changed external auditor. Is so, please specify the incoming and outgoing auditors:

Yes No

Outgoing Auditor

Incoming Auditor

In the case that there were discrepancies with the outgoing auditor, please explain the content of said discrepancies:

Yes No

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Explanation of disagreements

B.1.37 Please indicate whether the auditing firm does non-audit work for the company and/or its group. If so, state the fees it receives for such work and the percentage represented by such fees of the total fees invoices by the company and/or its group:

Yes No

	Company	Group	Total
Amount from non-audit work (thousand euros)	0	266	266
Amount from non-audit work / total amount invoiced by the auditing firm (in %)	0	1.370	1.120

B.1.38 Please indicate whether the Annual Accounts audit report has reservations or exceptions. If so, please state the reasons provided by the Chairman of the Audit Committee to explain the content and scope of said reservations or exceptions.

Yes No

Explanation of reasons

B.1.39 Please state how many consecutive years the current auditing firm has been auditing the annual accounts of the company and/or its group. In addition, indicate how many years the current auditing firm has been auditing the accounts as a percentage of the total number of years over which the annual accounts have been audited:

	Company	Group
Number of consecutive years	3	3
Number of years audited by current auditing firm/ number of years the company accounts have been audited (in %)	12.000	17.647

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B.1.40 Please list the stock holdings of the members of the company's Board of Directors in other companies with the same, similar or complementary types of activities of the company and/or its group, and which have been reported to the company. In addition, list the posts or duties they hold in such companies:

Name or company name	Corporate name of the company in	% share	Post or Duties
of Director	Abertis Infraestructuras, S.A.	0.002%	Chairman
Mr. Isidro Fainé Casas	British Sky Broadcasting Group Plc.	0.000	
Mr. David Arculus	Vodafone Group Plc.	0.000	
	BT Group Plc.	0.000	
Mr. Antonio Viana-Baptista	Portugal Telecom., SGPS, S.A. PT Multimedia-Serviços de Telecomunicações e Multimedia, SGPS, S.A	0.000	Director

B.1.41 Please indicate and, where appropriate, explain whether there are procedures for Directors to receive external advice:

Yes No

Details of procedure

Article 28 of the Regulations of the Board of Directors establishes that in order to be aided in the performance of their duties, the Directors or any of the Board Committees may request that legal, accounting, financial or other experts may be engaged at the expense of the Company. Such engagement must necessarily be related to specific problems of certain importance and complexity that arise in the performance of their office.

The Chairman of the Company must be informed of the decision to commission such services, which shall be engaged by the Secretary of the Board, except when the Board of Directors does not consider the engagement of such services to be necessary or appropriate.

B.1.42 Please indicate and, where appropriate, explain whether there are procedures for Directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes No

Details of procedure

The Company adopts the measures necessary to ensure that the Directors receive the necessary information, specially drawn up and geared to preparing the sessions of the Board and its Committees, with sufficient time. Under no circumstances shall such requirement not be fulfilled on the grounds of the importance or the confidential nature of the information except in absolutely exceptional cases.

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For this purpose, all the meetings of the Board and the Board Committees have a pre-established Order of the Day, which is communicated at least three days prior to the date scheduled for the meeting together with the call for the session. For the same purpose, the Directors are sent the documentation related to the Order of the Day of the meetings with sufficient time. Such information is subsequently completed by the written documentation and presentations handed to the Directors during the session itself.

To provide all the information and clarifications necessary in relation to certain points deliberated, the senior management of the Group attends nearly all the meetings of the Board to explain the matters within their competencies.

Furthermore, and as a general rule, the Regulations of the Board of Directors expressly establish that Directors are granted the broadest powers to obtain information about all aspects of the Company, to examine its books, records, documents and other data regarding corporate transactions. The exercise of this right to information is channelled through the Chairman or Secretary to the Board of Directors, who shall respond to all requests from Directors, furnishing them with the information directly or by establishing suitable channels within the organisation for this purpose.

B.1.43 Please state whether, and if so provide corresponding details, the company has established rules by which the directors must notify and, if applicable, resign in those cases in which they are at risk of damaging the good name and reputation of the company:

Yes No

Explanation of rules

In accordance with article 12 of the Regulations on the Board of Directors, the Directors must put their post at the disposal of the Board and formalise the corresponding resignation when their continued presence on the Board could affect the credit or reputation enjoyed by the Company in the market, or could put its interests at risk in any other way. Likewise, article 32. h) of the Regulations establishes that Directors must notify the Board, as soon as possible, of any circumstances linked to them that could damage the Company's credit and reputation.

B.1.44 Please state whether any member of the Board of Directors has notified the company that they have been prosecuted or that oral proceedings have been initiated against them, for any of the crimes listed in article 124 of the Corporations Act:

Yes No

Name of Director	Criminal proceedings	Comments
César Alierta Izuel	Summary Proceedings 7721/2002 Magistrate's Court number 32 of Madrid	

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Please indicate whether the Board of Directors has analysed the case. If the answer is yes, please explain in a reasoned manner the decision made with regard to whether or not the director should continue holding their post.

Yes No

Decision adopted

May continue / May not continue

Reasoned explanation

There have been no circumstances that merit the adoption of any action or decision to this regard.

B.2. Board of Directors Committees**B.2.1 List of all Board of Directors Committees and their members:****EXECUTIVE COMMISSION**

Name	Post	Type
Mr. César Alierta Izuel	Chairman	Executive Director
Mr. Isidro Fainé Casas	Vice Chairman	Proprietary Director
Mr. Julio Linares López	Chief Operating Officer	Executive Director
Mr. José María Abril Pérez	Member	Proprietary Director
Mr. Carlos Colomer Casellas	Member	Independent Director
Mr. Peter Erskine	Member	Executive Director
Mr. Alfonso Ferrari Herrero	Member	Independent Director
Mr. Francisco Javier de Paz Mancho	Member	Independent Director
Mr. Manuel Pizarro Moreno	Member	Independent Director
Mr. Antonio Viana-Baptista	Member	Executive Director
Mr. Ramiro Sánchez de Lerín García-Ovies	Secretary	Non-Member

AUDIT AND CONTROL COMMITTEE

Name	Post	Type
Mr. Antonio Massanell Lavilla	Member	Proprietary Director
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	Independent Director
Mr. Vitalino Manuel Nafría Aznar	Member	Proprietary Director
Mr. Ramiro Sánchez de Lerín García-Ovies	Secretary	Non-Member

Table of Contents**NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE**

Name	Post	Type
Mr. Alfonso Ferrari Herrero	Chairman	Independent Director
Mr. Pablo Isla Álvarez de Tejera	Member	Independent Director
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	Independent Director
Mr. Ramiro Sánchez de Lerín García-Ovies	Secretary	Non-Member

HUMAN RESOURCES, REPUTATION AND CORPORATE RESPONSIBILITY COMMITTEE

Name	Post	Type
Mr. Pablo Isla Álvarez de Tejera	Chairman	Independent Director
Mr. Alfonso Ferrari Herrero	Member	Independent Director
Mr. Antonio Massanell Lavilla	Member	Proprietary Director
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	Independent Director
Ms. María Luz Medrano Aranguren	Secretary	Non-Member

REGULATION COMMITTEE

Name	Post	Type
Mr. Fernando de Almansa Moreno-Barreda	Member	Other External Directors
Mr. Antonio Massanell Lavilla	Member	Proprietary Director
Mr. Alfonso Ferrari Herrero	Member	Independent Director
Mr. Vitalino Manuel Nafría Aznar	Member	Proprietary Director
Mr. Ramiro Sánchez de Lerín García-Ovies	Secretary	Non-Member

SERVICE QUALITY AND CUSTOMER SERVICE COMMITTEE

Name	Post	Type
Mr. Gonzalo Hinojosa Fernández de Angulo	Chairman	Independent Director
Mr. Carlos Colomer Casellas	Member	Independent Director
Mr. Antonio Massanell Lavilla	Member	Proprietary Director
Mr. Pablo Isla Álvarez de Tejera	Member	Independent Director
Ms. María Luz Medrano Aranguren	Secretary	Non-Member

Table of Contents**INTERNATIONAL AFFAIRS COMMITTEE**

Name	Post	Type
Mr. José Fernando de Almansa Moreno-Barreda	Chairman	Other External Directors
Mr. Alfonso Ferrari Herrero	Member	Independent Director
Mr. Gonzalo Hinojosa Fernández de Angulo	Member	Independent Director
Mr. José María Abril Pérez	Member	Proprietary Director
Ms. María Luz Medrano Aranguren	Secretary	Non-Member

B.2.2 Please state whether any of the following duties are responsibility of the Audit Committee:

	Yes	No
To supervise the process of preparation and the integrity of the financial information regarding the company and, if applicable, the group, revising compliance with regulatory requirements, the adequate boundaries of the scope of consolidation and the correct application of the accounting criteria.	X	
To periodically revise the internal control and risk management systems so that the main risks are identified, managed and notified correctly.	X	
To safeguard the independence and efficacy of the internal auditing function; to propose the selection, appointment, re-election and removal of the head of internal auditing; to propose the budget of that service; to receive periodic information regarding its activities; and to verify that the senior management bears in mind the conclusions and recommendations of its reports.	X	
To establish and supervise a mechanism by which the employees may notify, confidentially and, if deemed appropriate, anonymously, any irregularities that are potentially significant, especially financial and accounting irregularities, that they may detect in the company.	X	
To submit to the Board proposals of selection, appointment, re-election and replacement of the external auditor, as well as the corresponding engagement conditions.	X	
To receive regularly from the external auditor information regarding the auditing plan and the results of its execution, and to verify that the senior management takes into account its recommendations.	X	
To ensure the independence of the external auditor.	X	
In the case of groups, to encourage the auditor of the group to assume the responsibility for the audits of the companies it comprises.	X	

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B.2.3 Describe the organisational and operational rules and responsibilities attributed to each of the Board Committees.

Executive Commission.

a) Composition.

The Executive Commission is comprised of the Chairman of the Board of Directors, once he/she has been appointed a member of said Board, and by a number of Members no lower than three and no higher than ten, appointed by the Board of Directors.

In the qualitative composition of the Executive Commission, the Board of Directors shall endeavour to ensure that the external Directors form a majority in relation to the executive Directors.

In any case, the favourable vote of at least two thirds of the members of the Board of Directors shall be required for the appointment and/or renewal of the members of the Executive Commission to be valid.

b) Operation.

The Executive Commission shall meet as often as called by the Chairman, usually holding its meetings every fifteen days.

The Chairman and the Secretary to the Executive Commission shall be those persons who hold the same offices on the Board of Directors, and one or more Vice Chairmen and a Vice Secretary may also be appointed.

The Executive Commission shall be validly constituted when the meeting is attended by one half plus one of its members, either present or represented.

Resolutions shall be passed by majority of the Directors attending the meeting (present or represented), and the Chairman holds the casting vote in the event of a draw.

c) Relationship with the Board of Directors.

The Executive Commission shall report regularly to the Board of Directors on all matters deliberated and the resolutions passed in its sessions, and will make available to the members of the Board a copy of the minutes of said sessions.

Audit and Control Committee.

Pursuant to the provisions set out in Article 31 bis of the Company Bylaws of Telefónica, S.A., Article 21 of the Regulations of the Board of Directors regulates the Audit and Control Committee in the following terms:

a) Composition.

The Audit and Control Committee shall be comprised of a minimum of three and a maximum of five Directors appointed by the Board of Directors. All the members of said Committee shall be external Directors. For said appointment, the Board of Directors will take into account the knowledge and experience of accounting, auditing or risk management of the candidates.

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The Chairman of the Audit and Control Committee, a post which must be held by an independent Director, shall be appointed from among its members, must be replaced every four years, and may be re-elected when the term of one year has elapsed from ceasing to hold this office.

b) Duties.

Notwithstanding other duties entrusted it by the Board of Directors, the Audit and Control Committee shall primarily serve to support to the Board of Directors in its supervisory capacity and specifically shall have the following competencies:

- 1) To report, through its Chairman, to the General Shareholders Meeting on matters raised by the shareholders on issues within the competency of the Committee;
- 2) To propose to the Board of Directors, for subsequent submission to the General Shareholders Meeting, the appointment of the Accounts Auditors referred to in Article 204 of the Corporations Law, as well as, when appropriate, the terms of engagement, the scope of professional mandate and revocation or renewal of such appointment;
- 3) To supervise the internal audit services, in particular:
 - a) Safeguard the independence and efficiency of the internal audit function;
 - b) To safeguard the independence and efficacy of the internal auditing function;
 - c) To propose the selection, appointment and removal of the person responsible for the internal auditing service;
 - d) To propose the budget for that service;
 - e) To review the annual internal auditing work plan and the annual activity report;
 - f) To receive regular information of its activities; and
 - g) To verify that senior management takes into account the conclusions and recommendations of its reports.
- 4) To have knowledge of the financial information processes and the internal control systems. In this regard:
 - a) To supervise the process of compilation and the integrity of the financial information related to the Company and the Group, reviewing compliance with the regulatory requirements, the right limitation of the scope of consolidation and the correct application of the accounting criteria, providing reports to the Board of Directors.

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- b) To propose to the Board of Directors a policy of risk control and management, which will identify, at least:
 - (i) the types of risk (operational, technological, financial, legal and reputational) which the company faces;
 - (ii) the level of risk which the company deems acceptable;
 - (iii) the measures for mitigating the impact of the identified risks should they materialise;
 - (iv) the control and information systems to be employed to control and manage said risks.
- 5) To establish and supervise a mechanism that allows employees to communicate, in a confidential and anonymous manner, any irregularities which may be of importance, especially financial and accounting irregularities, that they come across within the Company.
- 6) To maintain the necessary relations with the Accounts Auditor to receive information on all matters that may jeopardise its independence, and any others related to the process of auditing the accounts, as well as to receive any information and maintain the communications with the Accounts Auditor that are established by legislation governing accounts auditing and the related technical regulations.

c) Operation.

The Audit and Control Committee shall meet at least once each quarter and as often as appropriate, called by its Chairman.

The Audit and Control Committee may call on the Company Accounts Auditor, the internal auditing officer and any employee or manager of the Company, to attend its meetings.

Nominating, Compensation and Corporate Governance Committee.

a) Composition.

The Nominating, Compensation and Corporate Governance Committee shall be comprised of a minimum of three and a maximum of five Directors, appointed by the Board of Directors. All the members of the Committee shall be external directors and a majority of them must be independent Directors.

The Chairman of the Nominating, Compensation and Corporate Governance Committee, a post which must be held by an independent Director, shall be appointed from amongst its members.

b) Duties.

Notwithstanding other duties entrusted it by the Board of Directors, the Nominating, Compensation and Corporate Governance Committee shall have the following duties:

- 1) To inform, objectively and in accordance with social interests, on proposals for the appointment, re-election and removal of Directors and senior managers of the Company and its subsidiary companies, assessing the duties, knowledge and experience necessary of the candidates to cover the vacancies.
- 2) To Inform on the proposals for the appointment of the members of the Executive Committee and the rest of the Committees of the Board of Directors, as well as that of the Secretary and, if applicable, the Vice Secretary.

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- 3) To organise and coordinate, together with the Chairman of the Board of Directors, the periodic assessment of the Board, in accordance with article 13.3 of Regulations.
- 4) To inform on the periodic assessment of the performance of the Chairman of the Board of Directors.
- 5) To examine or organise, in a manner deemed appropriate, the succession of the Chairman and, if applicable, make proposals to the Board of Directors in order for said succession to take place in an ordered and well planned manner.
- 6) To propose to the Board of Directors, in the framework established in the Company Bylaws, the compensation of the Directors and revise it periodically in order to ensure it corresponds with the tasks carried out by them, in accordance with article 35 of Regulations.
- 7) To propose to the Board of Directors, within the framework established in the Company Bylaws, the extent and amount of the remuneration, rights and financial compensations of the Chairman, the Executive Directors and the senior managers of the Company, including the basic conditions of their engagement, to the effects of their inclusion in their contracts.
- 8) To draw up and propose to the Board of Directors an annual report on the remuneration policy for Directors.
- 9) To supervise compliance with the internal codes of conduct of the Company and the rules of corporate governance assumed by the company and in force at any given moment.
- 10) To exercise all other duties assigned to said Committee in these Regulations.

c) Operation.

In addition to the meetings established in the annual schedule, the Nominating, Compensation and Corporate Governance Committee shall meet whenever the Board of the Directors or its Chairman requests the issue of a report or the approval of proposals within the scope of its competencies and when, in the opinion of the Chairman of the Committee, it is appropriate for the proper performance of its duties.

Regulation Committee.

a) Composition.

The Regulation Committee shall comprise the number of Directors that the Board of Directors deems appropriate at any given

time, in no case being less than three, and there must be a majority of external Directors.

The Chairman of the Regulation Committee shall be appointed from amongst its members.

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b) Duties.

Notwithstanding other duties entrusted to it by the Board of Directors, the Regulation Committee shall have at least the following functions:

- (i) To undertake, through study, analysis and discussion, the continual monitoring of the main topics and matters of a regulatory nature that affect the Telefónica Group at all times.
- (ii) To provide a channel for communication and information between the Management Team and the Board of Directors in regulatory matters and, when appropriate, to inform the Board of Directors on matters that are important or relevant for the Company or any of the companies within its Group and for which it may be necessary or appropriate to adopt a decision or establish a particular strategy.

Human Resources, Reputation and Corporate Responsibility Committee.

a) Composition.

The Human Resources, Reputation and Corporate Responsibility Committee shall comprise the number of Directors that the Board of Directors deems appropriate at any given time, in no case being less than three, and there must be a majority of external Directors.

The Chairman of the Human Resources, Reputation and Corporate Responsibility Committee will be appointed from among its members.

b) Duties.

Notwithstanding other duties entrusted to it by the Board of Directors, the Human Resources, Reputation and Corporate Reputation Committee shall have at least the following duties:

- (i) To analyse, inform and propose to the Board of Directors the adoption of the appropriate resolutions with regards to personnel policy.
- (ii) To encourage the development of the Telefónica Group's Corporate Reputation Project and the implementation of the core values of the Group.

Service Quality and Customer Service Committee.

a) Composition

The Service Quality and Customer Service Committee shall comprise the number of Directors that the Board of Directors deems appropriate at any given time, in no case being less than three, and there must be a majority of external Directors.

The Chairman of the Service Quality and Customer Service Committee shall be appointed from among its members.

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b) Duties.

Notwithstanding other duties entrusted to it by the Board of Directors, the Service Quality and Customer Service Committee has the following duties:

- (i) To examine, analyse and periodically monitor the quality rates of the main services provided by the Telefónica Group companies.
- (ii) To evaluate the level of customer service provided by the said companies to its customers.

International Affairs Committee.

a) Composition.

The International Affairs Committee shall comprise the number of Directors that the Board of Directors deems appropriate at any given time, in no case being less than three, and there must be a majority of external Directors.

The International Affairs Committee shall be appointed from among its members.

b) Duties

Notwithstanding other duties entrusted to it by the Board of Directors, the International Affairs Committee's primary mission is to reinforce and bring international matters that are relevant to the development of Telefónica to the attention of the Board of Directors. For this purpose, the Committee has the following duties, amongst others:

- (i) To pay particular attention to institutional relations in the countries where the Telefónica Group companies operate.
- (ii) To analyse those matters of importance that affect the Group in international bodies or forums, as well as those relating to economic integration.
- (iii) To review regulatory matters, issues concerning competition and alliances.
- (iv) To evaluate the programmes and activities of the various Company Foundations and the resources that are used in benefit of the Company's image and its international social presence.

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B.2.4 Indicate any advisory and consulting powers and, where applicable, the powers delegated to each of the committees:

Committee Name	Brief description
Executive Commission	Corporate Body with general decision-making powers and express delegation of all the powers attributed to the Board of Directors, except those that cannot be delegated by law, bylaws or regulations.
Audit and Control Committee	Consultative and Control Committee
Nominating, Compensation and Corporate Governance Committee	Consultative and Control Committee
Human Resources, Reputation and Corporate Responsibility Committee	Consultative and Control Committee
Regulation Committee	Consultative and Control Committee
Service Quality and Customer Service Committee	Consultative and Control Committee
International Affairs Committee	Consultative and Control Committee

B.2.5 Indicate, if applicable, any regulations governing the Board committees, where they are made available for consultation and any amendments to the same made during the financial year. Indicate whether any annual report has been voluntarily drawn up on the activities of each committee.

The organisation and operation of the Board of Directors Committees are governed by specific regulations contained in the Regulations of the Board of Directors. Besides this, the Audit and Control Committee is also specifically regulated in article 31 bis of the Bylaws. Both documents are available for consultation on the company website.

B.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different types of Directors, on the basis of their type:

Yes No

If not, describe the composition of the Executive Commission

C RELATED-PARTY TRANSACTIONS

C.1 Please state whether the Board in full has reserved the right to approve, upon receipt of a report in favour from the Audit Committee or any other Committee entrusted with doing so, the transactions that the company carried out with directors, significant shareholders or shareholders represented on the Board, or with people related with them:

Yes No

Table of Contents**C.2 List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company:**

Name or company name of significant shareholder	Name or corporate name of the company or unit of its group	Nature of relationship	Type of transaction	Value (thousand euros)
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica, S.A.	Contractual	Financing agreements: loans	247,076
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica España	Contractual	Financing agreements: loans	5,682
Banco Bilbao Vizcaya Argentaria, S.A.	Grupo Telefónica Latam	Contractual	Financing agreements: loans	114,389
Banco Bilbao Vizcaya Argentaria, S.A.	Grupo Telefónica	Contractual	Guarantees	18,240
Banco Bilbao Vizcaya Argentaria, S.A.	Grupo Telefónica	Contractual	Temporary Financial Investments	334,314
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica, S.A.	Contractual	Other (derivatives)	6,605,652
Banco Bilbao Vizcaya Argentaria, S.A.	Grupo Telefónica	Contractual	Other (derivatives)	554,698
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica, S.A.	Contractual	Other (transfer of loans)	30,050
Caja de Ahorros y Pensiones de Barcelona, la Caixa	Telefónica, S.A.	Contractual	Financing agreements: loans	246,803
Caja de Ahorros y Pensiones de Barcelona, la Caixa	Grupo Telefónica	Contractual	Guarantees	885
Caja de Ahorros y Pensiones de Barcelona, la Caixa	Grupo Telefónica	Contractual	Temporary Financial Investments	1,021,809

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C.3 List any relevant transactions entailing a transfer of resources or obligations between the Company or its group companies and the Company's managers or Directors:

Name or company name of the managers or directors	Name or corporate name of the company or unit of its group	Nature of relationship transaction	Type of transaction	Amount (thousand euros)
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C.4 List any relevant transaction undertaken by the Company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose object and conditions set them apart from the Company's habitual trading:

Company name of the group company	Brief description of transaction	Amount (thousand euros)
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C.5 State whether any conflicts of interest affecting any members of the Board of Directors pursuant to Article 127 of the Corporations Law have arisen in the course of the financial year.
 Yes No

Name or company name of director	Description of the situation of conflict of interest
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C.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the Company and/or its group, and its Directors, management or significant shareholders.

The Company policy has established the following principles governing possible conflicts of interest that may affect Directors, Managers or Significant Company Shareholders:

With respect to the Directors, Article 32 of the Regulations of the Board of Directors establishes that Directors shall inform the Board of Directors of any situation of direct or indirect conflict they may have with the Company's interest. In the event of conflict, the affected Director shall abstain from intervening in the deliberation to which the conflict refers.

Moreover, and in accordance with the provisions set out in the Regulations of the Board, Directors shall abstain from participating in voting that affects matters in which they or persons related to them have a direct or indirect interest.

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Likewise, the aforementioned Regulations establish that Directors shall not directly or indirectly undertake professional or commercial operations or transactions with the Company or with any of the companies in its Group, when such transactions are unrelated to the ordinary business of the Company or not performed under market conditions, unless the Board of Directors is informed of said transaction and, after prior favourable report from the Nominating, Compensation and Corporate Governance Committee, approves them with the favourable vote of at least 90% of the Directors present at the meeting.

With regards to significant shareholders, Article 39 of the Regulations of the Board of Directors establishes that the Board of Directors will be aware of the operations carried out by the Company, directly or indirectly, with Directors, with significant shareholders or shareholders represented on the Board, or with people related with them.

Carrying out these operations will require authorisation from the Board, subsequent to a favourable report from the Nominating, Compensation and Corporate Governance Committee, except in the case of operations or transactions that form part of the normal or ordinary activities of the parties involved, carried out in normal market conditions, and for amounts not significant or relevant for the Company.

The operations referred to in the section above shall be assessed in terms of equality and market conditions, and will be included in the Annual Report on Corporate Governance and in the periodic public information of the Company in the terms established in the applicable regulations.

With respect to Management, the Internal Code of Conduct for Securities Markets Issues sets out the general principles of conduct for the persons subject to the said regulations who are involved in a conflict of interest. The aforementioned Code includes all the Company Management Personnel within the concept of affected persons.

In accordance with the provisions of this Code, Management Personnel are obliged to (a) act at all times with loyalty to the Group and its shareholders, regardless of their own or other interests; (b) abstain from intervening or influencing decision-making that may affect the persons or companies with which the conflict of interest exists; and (c) abstain from accessing information deemed confidential related to such conflict. Furthermore, these persons are obliged to inform the Company Regulatory Compliance Unit of all transactions that may potentially give rise to conflicts of interest.

C.7 Are more than one of the Group companies listed in Spain?

Yes No

Please specify the subsidiary companies listed in Spain:

Subsidiary companies listed

Please state whether the areas of activity and business relationships between them have been publicly and clearly defined, as well the relationships of the listed dependent company with the other companies of the group;

Yes No

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Define the possible business relationships between the parent company and the listed subsidiary company, and between the latter and the other group companies

Please identify the mechanisms established to solve possible conflicts of interest between the listed subsidiary and the other group companies:

Mechanisms to resolve possible conflicts of interest

D RISK CONTROL SYSTEMS

D.1 Provide a general description of risk policy in the Company and/or its group, detailing and evaluating the risks covered by the system, as well as an explanation of how far these systems match the profile of each type of risk.

Telefónica continually monitors the most significant risks in the main companies comprising its Group. To do so, the Company Model is applied regularly and equally in all the Group companies, which provides an evaluation of the importance of each of the risks that may affect the companies, as well as the degree of control over the same. This procedure is based on the system proposed by the COSO Reports (Committee of Sponsoring Organizations of the Treadway Commission), in which an integrated framework of Internal Control and Management of Risks are established.

Thus, the Group has a map that identifies the risks that require specific control and monitoring according to their importance.

Likewise, the Model matrix includes the operational processes in which each of the risks considered is managed, in order to evaluate the control systems established and to be reasonably sure that such risks will not arise.

In this respect, it should be noted that the Company is currently carrying out a new model to modify the risk measurement parameters, moving from the current parameters (degree of importance and level of control) to impact and probability of occurrence, in line with best international practices; that is, evolving from the current COSO I Model to the COSO II Model.

Identification of these risks and processes is undertaken by the Directorate General of Internal Auditing, which is responsible for internal Group audits, and regularly informs the Audit and Control Committee of Telefónica of the results of its work.

By virtue of the model currently applied in the Group, the Company has identified 50 risks, classified in the following categories:

I.- Risks related to business processes and others:

Operational risks: risks that could affect the effectiveness and efficiency of operational processes and the provision of services, customer satisfaction and the reputation of Group companies.

Integrity risks: risks linked to internal and external fraud that the Group companies may have.

Management and human resources risks: risks related to management, administration and leadership, limits on authority, etc.

Technological risks: among others, those related to verification of security of information systems (access, data protection, etc.), contingency plans, automation of activities, etc.

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Financial risks: among others, highly competitive markets, strictly regulated markets, services provided under licences or concessions, country risks associated with investment in Latin America, management of exchange rate and/or interest rate risks, risks associated with relations with Group members, risks associated with business takeovers and mergers, etc.

Risks related to lawsuits and other legal proceedings.

II.- Information Risks:

Operating information.

Financial information.

Strategic information.

III.- Risks related to the Environment:

Competition.

Relations with shareholders.

Availability of Resources.

Political, social economic, legal and fiscal environment.

Regulations and changes in the sector.

Environment.

As has already been mentioned above, the internal control framework adopted by Telefónica Group is based on the COSO model, of renowned prestige in international financial environments, whose main aims are the following:

- * Efficacy and efficiency in its operations.
- * Safeguard of assets.
- * Reliability of financial information.
- * Compliance with laws and regulations.

In addition to the controls established in each of the Company's operational processes, the Group has the following specific control elements:

- * An Internal Auditing structure covering the entire Telefónica Group, which carries out its duties in accordance with the professional regulations and criteria of the International Institute of Internal Auditors.

It must be pointed out that Telefónica is the first Spanish company to obtain the certification of quality awarded by said Institute.

- * The Company's Annual Accounts, and those of all the main companies of the Group are verified by an External Auditor.

In addition, the External Auditor is commissioned to make recommendations regarding internal control for the main Companies.

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Likewise, for the establishment of appropriate and standardised control systems, the Telefónica Group has a set of regulations by means of which basic control aspects are regulated. These regulations include the following:

- (i) Control regulations regarding the process of drafting the financial accounting information. This process is regulated via the following manuals, instructions and regulations:

Manual of Accounting Assessment Regulations and Policies.

Manual of Rules for Evaluation and Accounting Policies

Instructions for closing and external audits.

Annual calendar of financial accounting information.

Corporate Accounting Plan.

Manual of the Subsidiary Information System (a technical IT instrument for reporting financial-accounting information and for the consolidation of financial statements).

- (ii) Regulations governing control of Company information and its financial/accounting information system:

Registration, communication and control of financial /accounting information.

Regulations governing disclosure to markets

Regulations of conduct for financial personnel.

Intra-group transactions.

- (iii) Regulations regarding external representation and the relationship between Group companies:

Powers of attorney for representation of the Company, to sign contracts, open accounts, dispose of funds, etc.

Centralised decision-making on Group transactions.

Payments: segregation of functions, joint signature of two persons, bank reconciliations, etc.

Purchase of goods and services: budgetary reserve, corporate procedure for awards, formalization of commitments, payment terms, etc.

Control in reduced structure companies or companies in transitory situations (dissolution, sale, etc.).

- (iv) Regulations governing environmental minimums:

Standards to be complied with in the Group in cases where the law does not set higher levels of requirement.

With regard to the use of funds by the Company, the Group has an Intervention Unit responsible for controlling the use of funds, and whose duties are, among others functions are, among others, the control of the use of the funds, control of relevant operations, control of travel and representation expenses, implementation of basic controls in the greater risk processes, etc.

The Group's main companies also have Budgetary and Management Control Units.

The Telefónica Group has Units that control certain specific risks. More specifically, all those related with Risks and Insurance, Reputation, Regulation, Quality, and Human Resources (labour risks).

Due to it being a company listed on the New York Stock Exchange, Telefónica must comply with the requirements established by the Sarbanes-Oxley Act and its related regulations.

In particular, a review is carried out of the efficacy of the internal financial reporting controls, both in the process of preparing the accounting statements, and in the main processes that enter information into the accounting system. This practice is a requirement for Telefónica S.A. and for other companies of the Group, as SEC registrants .

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The results of the 2006 assessment were included in the 20-F Form of Telefónica, S.A., sent to the SEC on May 18, 2007. The report declared the existence of an effective internal control of financial reporting, with no material weaknesses.

In addition, since 2005 an incident reporting channel is in place, created by the Audit and Control Committee of the Board of Directors, whose aim is that any employee of the Telefónica Group can report, completely anonymously if so required, with regard to situations related to the internal control of financial statements, accounting statements or accounts auditing.

Lastly, in 2006 the Board of Directors of the Company approved the unification of the Codes of Ethics of the Group's different companies in a new company Code of Principles of Action, to be applied as standard in all countries where the Telefónica Group operates, and for all its employees.

The Principles of Action Office has been working regularly to disseminate, encourage and safeguard the compliance of the Principles of Action, managing among other aspects, the confidential line created to pose questions, seek good advice and address issues related with compliance with the principles and their associated policies, especially in cases where there could be signs of non compliance.

D.2 Please state whether, during the financial year, any of the different types of risk affecting the company and/or its group (operational, technological, financial, legal, reputational, fiscal...) have materialised:

Yes No

If so, please state the circumstances that led to the risk and whether the established control mechanisms proved to be effective.

Risk materialised during the FY	Circumstances that led to risk	Effectiveness of control systems
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D.3 Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems.

Yes No

If so, please explain its duties.

Name of Committee or Body	Description of Duties
Audit and Control Committee	The Board of Directors of Telefónica S.A. has constituted an Audit and Control Committee whose duties, competencies and rules of operation are set out in the Company Bylaws and in the Regulations of the Board of Directors. Such regulations comply with all legal requirements as well as with the

recommendations for
good corporate
governance issued by
both national and
international bodies.

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Name of Committee or Body	Description of Duties
	<p>Except in the case of specific matters, the External Auditor and representatives of the General Directorates of Finance, Internal Auditing and Strategy, Budgeting and Control are invited to attend the meetings of the Committee.</p> <p>Occasionally, as mentioned above, other managers from within the Group are invited to inform the Committee on specific areas of interest to it.</p> <p>The duties of the Committee are established in the Company Bylaws of Telefónica S.A. (art. 31 bis), and in the Regulations of the Board of Directors (art. 21), as described in section B.2.3 of this Report.</p> <p>In addition, the Company has designed a system of information to which the Chairman and the members of the Audit and Control Committee have access, through which they can obtain, if they wish, information on the conclusions of internal auditing reports and on the fulfilment of recommendations</p>

subject to specific monitoring.

In addition to this, within the Group, Committees have been set up in those companies whose shares are listed on stock market in countries other than Spain, with similar duties to those described for the Audit and Control Committee of Telefónica S.A.

D.4 Please identify and describe the processes for compliance with the regulations applicable to the Company and/or its group.

The great majority of the companies comprising the Telefónica Group operate in the telecommunications sector, which is subject to regulation in nearly all the countries where the Group is present. Amongst the basic objectives of the internal control model described above is compliance with those laws and regulations that affect the Telefónica Group's activities. In particular, the Group has units exercising specific control over this type of risks, especially through its legal services and in the areas of corporate regulation in the Group companies.

E THE GENERAL SHAREHOLDERS MEETING

E.1 Indicate the quorum required for constitution of the General Shareholders Meeting established in the company Bylaws. Describe any difference from the minimum regime set out in the Corporations Law.

Yes No

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% of quorum different from that established in art. 102 of Corporations Law for general cases	% of quorum different from that established in art. 103 of Corporations Law for special cases of art. 103. general cases
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Quorum required for 1st call to meeting

Quorum required for 2nd call to meeting

Description of the differences

E.2 Please state whether there are, and if applicable provide details, of any rules governing the adoption of corporate resolutions established in the Corporations Law Act (LSA in its Spanish acronym):

Yes No

Describe any differences from the provisions established in the Corporations Law.

Super-majority other than that established in art. 103.2 of the Corporations Law for cases listed in 103.1

Other cases of super-majority

% established by company for adoption of agreements

Description of differences

Article 21 of the Company Bylaws establishes that the General Shareholders Meeting shall adopt its resolutions with the majority of votes established by law, cast by the shareholders present or represented.

Each share present or represented at the General Shareholders Meeting shall give rise to one vote, except shares without voting rights, pursuant to the provisions of the law.

Notwithstanding the provisions of the paragraph above, no shareholder shall be allowed to cast a number of votes representing more than ten percent of the overall share capital with voting rights existing at any given time, regardless of the number of shares he/she actually holds.

In ascertaining the maximum number of votes that each shareholder may cast, only those shares owned by each shareholder shall be taken into account, and the shares belonging to other shareholders who have appointed such shareholder as their proxy shall not be included, without prejudice to the aforementioned ten percent limit, which shall apply equally to every represented shareholder.

The limit established in the above paragraphs shall likewise apply to the maximum number of votes that may be cast either jointly or individually by two or more shareholding companies belonging to the same group of companies, and to the maximum number of votes which may be cast by a natural or legal person holding shares, or the company or companies, also holding shares in the Company directly or indirectly controlled by said natural or legal person.

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To the effects of the paragraph above, both the existence of groups of organisations and the controlling situations described above shall be ascertained in accordance with the provisions of section 4 of the Securities Market Law of 28th July 1998.

Without prejudice to such restrictions on the voting rights as are set out above, all the shares represented at the General Shareholders Meeting shall be taken into account in the determination of the required quorum to validly hold the Meeting; however, in the casting of votes, those shares shall be subject to the ten percent limit on the number of votes that may be cast, in accordance with the provisions of the mentioned article 21 of the Bylaws.

E.3 Please list all shareholders rights regarding the General Shareholders Meeting other than those established under the Corporations Law

Telefónica grants all shareholders the rights related to the General Shareholders Meetings set out in the Corporations Law.

Likewise, with a view to encouraging shareholders participation in the GSM, pursuant to Article 11 of the Regulations of Telefónica's General Shareholders Meeting, shareholders may, at all times and following accreditation of their identity as such, make suggestions related to the organisation, operation and competencies of the General Shareholders Meeting through the Shareholders Office.

E.4 Please indicate measures adopted, in any, to encourage shareholder participation in the General Shareholders Meetings.

The primary goal of the Regulations of the General Shareholders Meeting of Telefónica is to offer the shareholder a framework that guarantees and facilitates the exercise of his/her rights in relation to the sovereign Company body, with particular attention to the right to information and participation in the deliberations and voting, endeavouring to achieve maximum diffusion of the call and proposed resolutions to be submitted to the GSM. In addition to the measures required by the applicable law in effect, the following are specific measures envisaged in the Regulation of the General Shareholders Meeting with a view to facilitating shareholders attendance and participation in the Meeting:

* WEBSITE

Incorporation into the Company website, from the date of publication of the announcement of the call and in addition to the documents and information required by law, of all the information that the company deems appropriate with regards to the aforementioned objectives and in particular, including but not limited to, the following:

- a) The text of all the proposed resolutions to be submitted to the General Shareholders Meeting that have been approved by the Board of Directors, without prejudice to their subsequent modification by the Board prior to the date of the Meeting, when legally possible.
- b) Information regarding the venue of the General Shareholders Meeting and describing, if appropriate, the process for access to the hall.
- c) Procedure for obtaining attendance cards or certificate issued by the legally authorised bodies.

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- d) Means and procedures to grant proxy for the General Shareholders Meeting.
- e) Should they exist, the means and procedures for remote voting.
- f) All other issues of interest to follow the meeting, such as the existence of media for simultaneous interpreting of the meeting, audiovisual diffusion of the Meeting or information in other languages.

The Company shareholders may obtain all the aforementioned information through the corporate website, or may request that it be sent to them free of charge through the mechanisms established on the website for this purpose.

*** FORMULATION OF SHAREHOLDERS SUGGESTIONS**

As indicated above and without prejudice to the rights of shareholders to request inclusion of certain matters on the Agenda of the Meeting when requesting its call in the cases and terms envisaged by law, shareholders may, at all times and with prior accreditation as such, make suggestions regarding the organisation, operation and competencies of the General Shareholders Meeting through the Shareholders Office.

Likewise, through the Shareholders Office, shareholders may request all types of information, documentation and clarifications required in relation to the GSM, either through the Company website or by calling the toll-free line.

*** DELEGATION AND REPRESENTATION**

The Chairman of the General Shareholders Meeting or, when so delegated by the same, the Secretary, shall resolve all doubts that may arise with respect to the validity and effectiveness of the documents accrediting the right of any shareholder to attend the GSM individually or in representation of another, as well as to the delegation and proxy in favour of another party, endeavouring to consider invalid or ineffective only those documents that lack the minimum requirements, provided that such defects have not been remedied.

E.5 Please indicate whether the General Shareholders Meeting is chaired by the Chairman of the Board.

List the measures, if any, adopted to guarantee the independence and correct operation of the GSM:

Yes No

Details of measures

The General Shareholders Meeting of Telefónica S.A. has established its principles of organisation and operation in a set of Regulations, approved by the GSM, and the Chairman must always act in line with the principles, criteria and guidelines set out therein.

In addition to establishing the principles of organisation and operation of the General Shareholders Meeting, gathering and organising the different aspects of calling, organisation and development of the GSM in a single text, the document provides mechanisms to:

Facilitate shareholders exercise of their relevant rights, with particular attention to the shareholders right to information and to participate in the deliberations and voting,

Ensure maximum transparency and efficiency in forming the will and decision-making by the GSM, ensuring the maximum possible dissemination of the call and of the proposed motions.

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Furthermore, in accordance with the Regulations of the Board of Directors, the conduct of the Chairman of the Board must always be in line with the criteria and guidelines determined by the GSM (in addition to the Board of Directors and the Board Committees).

E.6 Please indicate the amendments, if any, made to the Regulations of the General Shareholders Meeting during the year.

The Regulations of the General Shareholders Meeting of Telefónica were approved by the Ordinary GSM of the Company held on April 30th 2004.

Subsequently, the General Shareholders Meeting celebrated on May 10, 2007 agreed to modify certain articles of its Regulations. Said modifications were reported to the Comisión Nacional del Mercado de Valores (Spanish Securities Exchange Commission) and inscribed in the Mercantile Register of Madrid on July 13, 2007.

A great part of the modifications introduced in the Regulations of the General Shareholders Meeting aimed to adapt the aforementioned Regulations to the Unified Code of Good Governance.

Another of the modifications was motivated by Law 19/2005 of November 14, on European corporations with residence in Spain, which modified certain provisions regarding the call of General Shareholders Meetings, appointment of Managers, etc.

In addition, other modifications carried out in the aforementioned Regulations referred to questions regarding the vote and delegation through remote means of communication.

And lastly, the remaining modifications were made with the aim of technically improving the drafting and systemation Regulations of the GSM, completing and clarifying the regulation of specific issues.

This reform of the Regulations of the GSM was also complemented with the reform of the Company Bylaws which was also approved by the General Shareholders Meeting of May 10, 2007.

In both cases, and in general all modifications introduced, mainly aimed to offer the Company's shareholders a regulatory framework that guarantees and enables them to exercise their rights, paying special attention to their right to information and to their attendance and participation in the decisions and votes of the General Shareholders Meetings.

E.7 Please indicate the attendance figures for the General Shareholders Meetings held during the financial year this report refers to:

GSM Date	Attendance figures				Total
	% attending in person	% by proxy	% remote voting e-voting	Other	
10-05-2007	0.050	52.465	0.000		52.5156%

Table of Contents**E.8 Briefly describe the resolutions adopted at the General Shareholders Meeting held during the year and the percentage by which each resolution was passed.**

Points of Order of the Day	Summary of proposal	Votes			Result of vote
		Votes in favour	against	Abstentions	
I	Approval of the Annual Accounts for FY 2006.	2,543,645,278 (98.42%)	211,003 (0.008%)	40,504,471 (1.567%)	Approved
II.1	Re-Election of Mr. César Alierta Izuel.	2,561,623,023 (99.12%)	8,377,561 (0.324%)	14,360,168 (0.555%)	Approved
II.2	Re-Election of Mr. Maximino Carpio García.	2,570,161,525 (99.45%)	1,386,484 (0.053%)	12,812,743 (0.495%)	Approved
II.3	Re-Election of Mr. Gonzalo Hinojosa Fernández de Angulo.	2,570,325,252 (99.45%)	1,247,822 (0.048%)	12,787,678 (0.494%)	Approved
II.4	Re-Election of Mr. Pablo Isla Álvarez de Tejera.	2,570,331,126 (99.45%)	1,242,176 (0.048%)	12,787,450 (0.494%)	Approved
II.5	Re-Election of Mr. Enrique Used Aznar.	2,567,550,916 (99.34%)	4,013,896 (0.155%)	12,795,940 (0.495%)	Approved
II.6	Re-Election of Mr. Gregorio Villalabeitia Galarraga.	2,538,150,674 (98.21%)	11,591,397 (0.448%)	34,618,681 (1.339%)	Approved
II.7	Ratification of appointment of Mr. José María Álvarez-Pallete López.	2,541,286,395 (98.33%)	13,309,573 (0.515%)	29,764,784 (1.151%)	Approved
III	Authorisation for acquisition of treasury stock, directly or through Companies of the Group.	2,576,161,952 (99.68%)	352,065 (0.013%)	7,846,735 (0.303%)	Approved
IV	Delegation in favour of the Board of the power of issuing securities.	2,450,205,554 (94.80%)	106,211,731 (4.109%)	27,943,467 (1.081%)	Approved
V	Reduction of the capital by means of amortisation of treasury stock.	2,572,485,224 (99.54%)	3,973,019 (0.153%)	7,902,509 (0.305%)	Approved
VI.1	Modifications of Bylaws related to GSM.	2,575,751,668 (99.66%)	386,675 (0.015%)	8,222,409 (0.318%)	Approved
VI.2	Modifications of Bylaws related to	2,575,773,424 (99.66%)	457,843 (0.017%)	8,129,485 (0.314%)	Approved

delegation and voting
via remote means of
communication and
remote attendance to
the Meeting.

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