

TELEFONICA S A
Form 6-K
April 03, 2007

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 April, 2007

Commission File Number: 001-09531

Telefónica, S.A.

(Translation of registrant's name into English)

Gran Vía, 28

28013 Madrid, Spain

3491-459-3050

(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 ☒

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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

X

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

Telefonica, S.A.

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APPENDIX I

ANNUAL REPORT ON CORPORATE GOVERNANCE

LISTED COMPANIES

DATA IDENTIFYING ISSUER**FINANCIAL YEAR** **2006****TAX ID CODE: A-28015865****Registered name:**

TELEFONICA, S.A.

Registered offices:

GRAN VIA, 28
MADRID
MADRID
28013
SPAIN

MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

For a full understanding of this form and subsequent drafting of the report, please read the instructions attached for this purpose at the end of this report.

A SHAREHOLDING STRUCTURE

A.1. Fill in the following table on the company's share capital:

Latest date of any change	Share Capital ()	Number of shares
07-06-2005	4,921,130,397.00	4,921,130,397.00

If there are different types of shares, indicate this in the following table:

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Type	Number of shares	Nominal unit value
ALL THE SHARES ARE OF THE SAME TYPE	4,921,130,397	1.00

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

Name or corporate name of shareholder	Number of shares held directly	Number of shares held indirectly (*)	% of the Total/share
CAJA DE AHORROS Y PENSIONES DE BARCELONA, "LA CAIXA"	58,103,174	191,878,573	5.080
BANCO BILBAO VIZCAYA ARGENTARIA	316,735,246	28,943	6.437

(*) Through:

Name or corporate name of direct Shareholder	Number of shares held directly	% Share capital
CAIXA DE BARCELONA DE SEGUROS DE VIDA, SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	19,145,755	0.389
CAIXA HOLDING, S.A., SOCIEDAD UNIPERSONAL	172,732,818	3.510
CONSOLIDAR CIA. DE SEGUROS DE VIDA, S.A. (ARGENTINA)	9,208	0.000
BBVA SEGUROS, S.A. (ESPAÑA)	19,735	0.000
Total:	191,907,516	

Indicate the most significant movements in the shareholding structure during the financial year:

Name or corporate name of shareholder	Date of transaction	Description of transaction

A.3. Fill in the following tables on company directors holding company shares:

Name or corporate name of Company Director	Date of first appointment	Date of last appointment	Number of shares held directly	Number of shares held indirectly (*)	% of the Total/share capital

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MR. CÉSAR ALIERTA IZUEL	29-01-1997	12-04-2002	1,910,333	78,000	0.040
MR. ISIDRO FAINÉ CASAS	26-01-1994	21-06-2006	144,978	0	0.003
MR. GREGORIO VILLALABEITIA GALARRAGA	27-02-2002	12-04-2002	55	0	0.000
MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	26-07-2006	26-07-2006	9,515	1,036	0.000
MR. DAVID ARCULUS	25-01-2006	21-06-2006	10,500	0	0.000
MR. MAXIMINO CARPIO GARCÍA	29-01-1997	12-04-2002	10,247	494	0.000
MR. CARLOS COLOMER CASELLAS	28-03-2001	21-06-2006	564	22,450	0.000
MR. FERNANDO DE ALMANSA MORENO-BARREDA	26-02-2003	11-04-2003	19,349	0	0.000
MR. PETER ERSKINE	25-01-2006	21-06-2006	500	0	0.000
MR. ALFONSO FERRARI HERRERO	28-03-2001	21-06-2006	1,883	103,480	0.002
MR. GONZALO HINOJOSA FERNÁNDEZ DE ANGULO	12-04-2002	12-04-2002	39,476	390,000	0.009
MR. PABLO ISLA ALVAREZ DE TEJERA	12-04-2002	12-04-2002	401	0	0.000
MR. JULIO LINARES LÓPEZ	21-12-2005	21-06-2006	25,756	2,207	0.001
MR. AN TONIO MASSANELL LAVILLA	21-04-1995	21-06-2006	2,274	667	0.000
MR. VITALINO MANUEL NAFRÍA AZNAR	21-12-2005	21-06-2006	300	0	0.000
MR. ENRIQUE USED AZNAR	12-04-2002	12-04-2002	20,228	34,000	0.001
MR. ANTONIO VIANA-BAPTISTA	12-01-2000	31-05-2005	103,567	0	0.002

(*) Through:

Name or corporate name of direct shareholder	Number of shares held directly
GRUPO ARCE DE INVERSIONES S.A., SICAV	78,000
MS. PURIFICACIÓN SAMANIEGO LINARES	302
MR. ALVARO ÁLVAREZ-PALLETE SAMANIEGO	302
MR. JOSE MARÍA ÁLVAREZ-PALLETE SAMANIEGO	432
MS. CARMEN SAN ROMÁN RODRÍGUEZ	302
MS. CARMEN CARPIO SAN ROMÁN	64
MS. INÉS CARPIO SAN ROMÁN	64
MR. JERÓNIMO CARPIO SAN ROMÁN	64
AHORRO BURSÁTIL S.A. SICAV	22,450
FINALFESA, S.A.	82,680
INVERSIONES SINGLADURA, S.A. SICAV	20,800
ELETRES, S.L.	390,000
MS. MARÍA JESÚS ROMAÑA PESCADOR	140
MS. BEGOÑA LINARES ROMAÑA	367
JUDBEM DE INVERSIONES, S.A. SICAV	1,700
MS. GEMMA MASSANELL BOLET	667
REVIEW INVERSIONES S.A. SICAV	34,000
Total:	632,334

% of total equity held by the Board of Directors	0.058
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Fill in the following tables on Company Directors holding company share options:

Name or corporate name of Company Director	Number of options held directly	Number of options held indirectly	Equivalent number of shares	% of the Total/share capital

A.4. Where applicable, indicate any family, 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 corporate name of related party	Type of relationship	Brief description
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A.5. Where applicable, indicate any commercial, contractual or corporate relationships between owners of significant shareholdings and the company, unless of little relevance or ensuing from ordinary trading or exchange:

Name or corporate name of related party	Type of relationship	Brief description
BANCO BILBAO VIZCAYA ARGENTARIA	Corporate	JOINT SHAREHOLDING WITH TELEFONICA M&VILES ESPAÑA, S.A.U. IN MOBIPAY ESPAÑA, S.A. AND WITH TELEFONICA, S.A. IN MOBIPAY INTERNACIONAL, S.A.
BANCO BILBAO VIZCAYA ARGENTARIA	Corporate	JOINT SHAREHOLDING WITH TELEFONICA DE CONTENIDOS S.A.U. IN HISPASAT, S.A.
BANCO BILBAO VIZCAYA ARGENTARIA	Corporate	JOINT SHAREHOLDING WITH TELEFONICA S.A. IN ATENTO N.V.

A.6. Indicate any shareholder agreements that have been reported to the company:

Parties to paracorporate agreements	% of share capital affected	Brief description of the agreement

Indicate any concerted actions among company shareholders of which the company is aware:

Parties to concerted actions	% of share capital affected	Brief description of the concerted action

Expressly indicate any change in or break-up of said concerted actions or agreements that has taken place during the financial year.

A.7. Indicate whether any person or organisation exercises or may exercise control over the company pursuant to Article 4 of the Securities Market Law:

Name or corporate name

Comments

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A.8. Fill in the following tables on the company's treasury stock:

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% Total/Share capital
75,632,559	0	1.537

(*) Through:

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

List any significant variations that have occurred during the financial year, according to Royal Decree 377/1991:

Date	Number of direct shares	Number of indirect Shares	% Total/share capital
08-03-2006	175,195,970		0 3.560
04-04-2006	239,580,268		0 4.868
22-09-2006	47,080,408		0 0.957

Revenue from treasury stock transactions throughout the year (in thousands of euros)	46,850
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A.9. Detail the terms and conditions of any authorisation(s) conferred by the General Shareholders' Meeting to the Board of Directors to purchase and/or transfer the treasury stock described in section A.8 above.

The Ordinary General Shareholders' Meeting of Telefonica, at its session held on June 29th 2006, resolved to renew the authorisation granted by the GSM of May 31st 2005 for the derivative acquisition of treasury stock, either directly or through Group companies, in the terms literally transcribed as follows:

"To authorise, as set forth in Articles 75 and next of the current Spanish Corporations Law (Ley de Sociedades Anónimas), the acquisition, at any moment and as many times as considered necessary by Telefonica, S.A.

either directly or through any of the subsidiary companies of which it is the dominant company of the Company's treasury stock, through a purchase-sale or by any other legal onerous title.

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, 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 Telefonica, 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 Telefonica, S.A. shares are quoted.

It is expressly noted that the authorisation granted for the acquisition of treasury stock can be used wholly or partially for the acquisition of these shares of Telefonica, S.A., and that 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 these, having exercised their option rights, all within the framework of the referenced remuneration systems as the market value of the company shares approved in due form.

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 in this, enabling the Board of Directors to delegate to 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 May 31 2005, in relation to point VI of the Agenda of this same Meeting, shall remain null and void."

A.10. Indicate any restrictions under law or the company articles of association on exercising voting rights and any legal restrictions on the acquisition and/or transfer of company stock:

(i) Restrictions on exercising voting rights:

In accordance with Article 21 of the Company Articles of Association, no shareholder shall be allowed to cast a number of votes representing more than ten percent of the overall share capital entitled to 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.

The limit set out 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 an individual or a corporate body holding shares in the Company which are directly or indirectly controlled by that individual or corporate body.

(ii) Limits on the acquisition and/or transfer of company stock:

There are no provisions in the Articles of Association restricting or limiting the free transfer of Telefonica stock.

Law 13/2006, of May 26, replaced the legal regime applicable to the disposal of public shareholdings in certain companies to which certain corporate transactions and agreements of Telefonica, S.A., Telefonica M&Viles, S.A., Telefonica M&Viles Espa&la, S.A.U. and Telefonica de Espa&la, S.A.U. are subject pursuant to Royal Decree 8/1997, January 10.

This change means the definitive removal of the system of public controls that until now were applicable to operations subject to Law 5/1995, March 23. This Law also resulted in the early termination of the regime that for

Telefonica was to finish on 18th February 2007.

B STRUCTURE OF CORPORATE ADMINISTRATION

B.1. Board of Directors

B.1.1. Detail the maximum and minimum number of directorships established under the articles of association:

Maximum number of Directors	20
Minimum number of Directors	5

B.1.2. Fill in the following table with the Board members and their details:

Name or corporate name of Director	Represented by:	Post	Date of first appointment	Date of last appointment	Election procedures
MR. CÉSAR ALIERTA IZUEL		CHAIRMAN	29-01-1997	12-04-2002	COOPTON WITH SUBSEQUENT RATIFICATION BY THE GENERAL SHAREHOLDERS MEETING
MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ		DIRECTOR	26-07-2006	26-07-2006	COOPTON
MR. DAVID ARCULUS		DIRECTOR	25-01-2006	21-06-2006	COOPTON WITH SUBSEQUENT RATIFICATION BY THE GENERAL SHAREHOLDERS MEETING
MR. MAXIMINO CARPIO GARCÍA		DIRECTOR	29-01-1997	12-04-2002	COOPTON WITH SUBSEQUENT RATIFICATION BY THE SHAREHOLDERS MEETING
MR. CARLOS COLOMER CASELLAS		DIRECTOR	28-03-2001	21-06-2006	COOPTON WITH SUBSEQUENT RATIFICATION BY THE GENERAL SHAREHOLDERS MEETING
MR. FERNANDO DE ALMANSA MORENO BARREDA		DIRECTOR	26-02-2003	11-04-2003	COOPTON WITH SUBSEQUENT RATIFICATION BY THE GENERAL SHAREHOLDERS MEETING

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MR. PETER ERSKINE		DIRECTOR	25-01-2006	21-06-2006	COOPTION WITH SUBSEQUENT RATIFICATION BY THE GENERAL SHAREHOLDERS MEETING
MR. ISIDRO FAINÉ CASAS		VICE CHAIRMAN	26-01-1994	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	12-04-2002	GENERAL SHAREHOLDE RS MEETING
MR. PABLO ISLA ALVAREZ DE TEJERA		DIRECTOR	12-04-2002	12-04-2002	GENERAL SHAREHOLDERS MEETING
MR. JULIO LINARES LÓPEZ		DIRECTOR	21-12-2005	21-06-2006	COOPTION WITH SUBSEQUENT RATIFICATION BY THE GENERAL SHAREHOLDERS MEETING
MR. ANTONIO MASSANELL LAVILLA		DIRECTOR	21-04-1995	21-06-2006	GENERAL SHAREHOLDERS MEETING
MR. VITALINO MANUEL NAFRÍA AZNAR		DIRECTOR	21-12-2005	21-06-2006	COOPTION WITH SUBSEQUENT RATIFICATION BY THE GENERAL SHAREHOLDERS MEETING
MR. ENRIQUE USED AZNAR		DIRECTOR	12-04-2002	12-04-2002	GENERAL SHAREHOLDERS MEETING
MR. ANTONIO VIANA-BAPTISTA		DIRECTOR	12-01-2000	31-05-2005	COOPTION WITH SUBSEQUENT RATIFICATION BY THE GENERAL SHAREHOLDERS MEETING
MR. GREGORIO VILLALABEITIA GALARRAGA		VICE CHAIRMAN	27-02-2002	12-04-2002	COOPTION WITH SUBSEQUENT RATIFICATION BY THE GENERAL SHAREHOLDERS MEETING

Total number of Directors	17
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Indicate any members leaving the Board during this period:

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Name or corporate name of director	Date of leaving
MR. MIGUEL HORTA E COSTA	29-03-2006
MR. LUIS LADA DÍAZ	26-07-2006
MR. MARIO EDUARDO VÁZQUEZ	21-06-2006

B.1.3. Fill in the following table on the Board members and their different directorships:

EXECUTIVE DIRECTORS

Name or corporate name of Director	Commission proposing appointment	Post within the company organisation
MR. CÉSAR ALIERTA IZUEL	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CHAIRMAN OF TELEFÓNICA
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CEO OF TELEFÓNICA LATINOAMÉRICA
MR. PETER ERSKINE	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CEO OF TELEFÓNICA O2 EUROPA
MR. JULIO LINARES LÓPEZ	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	GENERAL MANAGER OF COORDINATION, DEVELOPMENT OF THE BUSINESS AND SYNERGIES
MR. ANTONIO VIANA-BAPTISTA	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CEO OF TELEFÓNICA ESPAÑA

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Commission proposing appointment	Name or corporate name of the significant shareholder represented or who proposed the appointment
MR. ISIDRO FAINÉ CASAS	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CAJA DE AHORROS Y PENSIONES DE BARCELONA, "LA CAIXA"
MR. ANTONIO MASSANELL LAVILLA	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CAJA DE AHORROS Y PENSIONES DE BARCELONA, "LA CAIXA"
MR. VITALINO MANUEL NAFRÍA AZNAR	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	BANCO BILBAO VIZCAYA ARGENTARIA
MR. GREGORIO VILLALABEITIA GALARRAGA	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	BANCO BILBAO VIZCAYA ARGENTARIA

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of Director	Commission proposing appointment	Profile
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MR. DAVID ARCULUS	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	HOLDER OF DEGREES IN ENGINEERING AND ECONOMICS. DIRECTOR OF TELEFONICA O2 EUROPE, PLC. AND OF BARCLAYS, PLC. VICE CHAIRMAN OF CBI AND MEMBER OF THE FINANCE COMMITTEE OF OXFORD UNIVERSITY PRESS.
MR. MAXIMINO CARPIO GARCIA	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	DOCTOR IN ECONOMICS. PROFESSOR OF APPLIED ECONOMICS AT THE UNIVERSIDAD AUTONOMA DE MADRID.
MR. CARLOS COLOMER CASELLAS	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	HOLDER OF ECONOMICS DEGREE. CHAIRMAN OF THE COLOMER GROUP.
MR. FERNANDO DE ALMANSA MORENO-BARREDA	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	HOLDER OF LAW DEGREE. ON LEAVE FROM THE DIPLOMATIC CORPS. FORMERLY HEAD OF STAFF AT THE HOME OF HIS MAJESTY KING JUAN CARLOS I.
MR. ALFONSO FERRARI HERRERO	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	INDUSTRIAL ENGINEER. FORMERLY EXECUTIVE CHAIRMAN OF BETA CAPITAL, S.A. AND SENIOR MANAGER AT BANCO URQUIJO.
MR. GONZALO HINOJOSA FERNANDEZ DE ANGULO	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	INDUSTRIAL ENGINEER. DIRECTOR OF ALTADIS, S.A. FORMERLY CHAIRMAN AND MANAGING DIRECTOR OF CORTEFIEL GROUP.
MR. PABLO ISLA ALVAREZ DE TEJERA	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	HOLDER OF LAW DEGREE. STATE LAWYER. FIRST VICE CHAIRMAN AND CHAIRMAN OF INDITEX, S.A.
MR. ENRIQUE USED AZNAR	NOMINATING, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	TELECOMMUNICATIONS ENGINEER. CHAIRMAN OF AMPER S.A.

OTHER EXTERNAL DIRECTORS

Name or corporate name of Director	Commission proposing appointment

List the reasons why they cannot be considered independent or proprietary:

Indicate any variations that have occurred in the type of each director for the period:

Name of corporate name of the Director	Date of change	Previous type	Current type

B.1.4. Indicate whether the types of Directors set out in the previous point correspond to the distribution established in the Board Regulations:

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When considering the present composition of the Board of Directors and the principles governing the same, the current composition is in accordance with the aforementioned Regulations and with the established guidelines of Corporate Governance. The Board is comprised of a significant number of independent Directors (eight), and the external Directors (including Proprietary and Independents) are in majority over executive Directors (twelve vs. five). Furthermore, there is a majority of independent Directors over proprietary Directors (eight vs. four) on the Board.

B.1.5. Indicate, if they exist, any powers delegated to the Managing Director(s):

Name or corporate name of Director	Brief description
MR. CÉSAR ALIERTA IZUEL	AT THE DATE OF PREPARATION OF THE PRESENT REPORT, THE POSITION OF CEO DOES NOT EXIST. HOWEVER, THE EXECUTIVE CHAIRMAN HAS BEEN DELEGATED ALL THE POWERS OF THE BOARD OF DIRECTORS, EXCEPT THOSE WHICH MAY NOT BE DELEGATED BY LAW OR UNDER THE ARTICLES OF THE ASSOCIATION.

B.1.6. Identify any board members in senior management or directive posts in other companies forming part of the listed company:

Name or corporate name of the directors	Corporate name of the group company	Post
MR. CÉSAR ALIERTA IZUEL	TELEFÓNICA O2 EUROPE, PLC (PREVIOUSLY O2, PLC)	DIRECTOR
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	CHINA NETCOM CORPORATION	DI RECTOR
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	TELEFÓNICA LARGA DISTANCIA DE PUERTO RICO INC.	DIRECTOR
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	TELEFÓNICA INTERNACIONAL CHILE, S.A.	CHAIRMAN
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	COLOMBIA TELECOMUNICACIONES, S.A. ESP.	DIRECTOR
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	TELEFÓNICA INTERNACIONAL, S.A.U.	CHAIRMAN
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	TELEFÓNICA O2 EUROPE, PLC (PREVIOUSLY O2, PLC)	DIRECTOR
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	BRASILCEL, N.V.	MEMBER OF THE SUPERVISORY BOARD
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	TELEFÓNICA MUNDO, S.A.	DIRECTOR
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	COMPAÑIA DE TELECOMUNICACIONES DE CHILE, S.A.	DIRECTOR
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	COMPAÑÍA INTERNACIONAL DE TELECOMUNICACIONES, S.A.	CHAIRMAN
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	TELEFÓNICA DE ARGENTINA, S.A.	VICE CHAIRMAN
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	TELECOMUNICAÇOES DE SAO PAULO, S.A.	VICE CHAIRMAN
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	TELEFÓNICA DATA CORP, S.A.U.	DIRECTOR

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MR. JOSÉ MARÍA VAREZ- PALLETE LÓPEZ	TELEFONICA HOLDING DE ARGENTINA, S.A.	CHAIRMAN
MR. JOSÉ MARÍA VAREZ- PALLETE LÓPEZ	TELEFONICA MÓVILES ESPAÑA, S.A.U.	DIRECTOR
MR. JOSÉ MARÍA VAREZ- PALLETE LÓPEZ	TELEFONICA DE ESPAÑA, S.A.U	DIRECTOR
MR. DAVID ARCULUS	TELEFONICA O2 EUROPE, PLC (PREVIOUSLY O2, PLC)	DIRECTOR
MR. FERNANDO DE ALMANSA MORENO-BARREDA	TELEFONICA DE ARGENTINA, S.A.	DIRECTOR
MR. FERNANDO DE ALMANSA MORENO-BARREDA	TELECOMUNICACOES DE SAO PAULO, S.A.	DIRECTOR
MR. FERNANDO DE ALMANSA MORENO-BARREDA	TELEFONICA DE PERÚ, S.A.A.	DIRECTOR
MR. PETER ERSKINE	TELEFONICA O2 EUROPE, PLC (PREVIOUSLY O2, PLC)	CHAIRMAN
MR. PETER ERSKINE	TELEFONICA O2 CZECH REPUBLIC, A.S.	CHAIRMAN OF THE SUPERVISORY BOARD
MR. ALFONSO FERRARI HERRERO	COMPAÑIA DE TELECOMUNICACIONES DE CHILE, S.A.	DIRECTOR
MR. ALFONSO FERRARI HERRERO	TELEFONICA DE PERÚ, S.A.A.	DIRECTOR
MR. JULIO LINARES LÓPEZ	TELEFONICA O2 EUROPE, PLC (PREVIOUSLY O2, PLC)	DIRECTOR
MR. JULIO LINARES LÓPEZ	TELEFONICA DE ESPAÑA, S.A.U	DIRECTOR
MR. JULIO LINARES LÓPEZ	TELEFONICA DATA CORP, S.A.U.	DIRECTOR
MR. JULIO LINARES LÓPEZ	TELEFONICA O2 CZECH REPUBLIC, A.S.	VICE CHAIRMAN OF THE SUPERVISORY BOARD
MR. ENRIQUE USED AZNAR	TELECOMUNICACOES DE SAO PAULO, S.A.	DIRECTOR
MR. ENRIQUE USED AZNAR	TELEFONICA DE PERÚ, S.A.A.	DIRECTOR
MR. ANTONIO VIANA-BAPTISTA	TELEFONICA O2 EUROPE, PLC (PREVIOUSLY O2, PLC)	DIRECTOR
MR. ANTONIO VIANA-BAPTISTA	TELEFONICA DE ESPAÑA, S.A.U	CHAIRMAN
MR. ANTONIO VIANA-BAPTISTA	TELEFONICA MÓVILES ESPAÑA, S.A.U.	CHAIRMAN

B.1.7. 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 corporate name of director	Listed company	Post
MR. CÉSAR ALIERTA IZUEL	ALTADIS, S.A.	DIRECTOR
MR. CARLOS COLOMER CASELLAS	INDO INTERNACIONAL, S.A	VICE CHAIRMAN
MR. CARLOS COLOMER CASELLAS	ALTADIS, S.A.	DIRECTOR
MR. CARLOS COLOMER CASELLAS	INVERSIONES MOBILIARIAS URQUIOLA, S.A. SICAV	CHAIRMAN
MR. CARLOS COLOMER CASELLAS	AHORRO BURSÁTIL S.A. SICAV	CHAIRMAN

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MR. ISIDRO FAINÉ CASAS	ABERTIS INFRAESTRUCTURAS, S.A.	CHAIRMAN
MR. GONZALO HINOJOSA FERNÁNDEZ DE ANGULO	ALTADIS, S.A.	DIRECTOR
MR. GONZALO HINOJOSA FERNÁNDEZ DE ANGULO	DINAMIA CAPITAL PRIVADO, S.A., SCR	DIRECTOR
MR. PABLO ISLA ALVAREZ DE TEJERA	INDITEX, S.A.	VICE CHAIRMAN-CEO
MR. JULIO LINARES LÓPEZ	SOGECABLE S.A.	DIRECTOR
MR. ENRIQUE USED AZNAR	AMPER S.A.	CHAI RMAN
MR. GREGORIO VILLALABEITIA GALARRAGA	IBERIA LINEAS AEREAS DE ESPAÑA, S.A.	DIRECTOR

B.1.8. Fill in the following tables regarding the accrued aggregate remuneration of Directors during the year:

a) In the company subject to this report:

Remuneration from	Thousand euros
Fixed remuneration	6,848
Variable remuneration	3,547
Allowances	197
Token payments	0
Share options and/or other financial instruments	0
Others	28
Total:	10,620

Other benefits	Thousand euros
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	51
Pension Plans and Funds: Obligations contracted	0
Life insurance premiums	96
Guarantees contributed by the company in favour of directors	0

b) For directors belonging to other boards of directors and/or senior management of group companies:

Remuneration from	Thousands of euros
Fixed remuneration	2,656
Variable remuneration	1,861
Allowances	9
Token payments	0
Share options and/or other financial instruments	291
Others	6

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Total:	4,823
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Other benefits	Thousand euros
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	8
Pension Plans and Funds: Obligations contracted	0
Life insurance premiums	12
Guarantees constituted by the company in favour of directors	0

c) Total remuneration by type of directorship:

Type of director	By company	By group
Executives	8,189	4,238
External proprietary	918	70
External independent	1,513	515
Other external	0	0
Total:	10,620	4,823

d) Regarding the attributable profit of the controlling company:

Total director s remuneration (thousands of euros)	15,443
Total directors remuneration / attributable profit of the controlling company (in %)	0.186

B.1.9. Identify the members of senior management who are not executive directors and indicate total remuneration accruing to them during the year:

Name or corporate name	Post
MR. LUIS ABRIL PÉREZ	General Manager of Corporate Communication
MR. SANTIAGO FERNÁNDEZ VALBUENA	General Manager of Finance and SharedResources
MR. CALIXTO RÍOS PÉREZ	General Manager of Auditing and Management Resources
MR. RAMIRO SÁNCHEZ DE LERÍN GARCIA-OVIES	General Counsel and Secretary to the Board of Directors

Total remuneration of senior management (thousand euros)	5,698
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B.1.10. Identify in aggregate terms any guarantees or "golden parachute" clauses 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
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	Board of Directors	General Shareholders Meeting
Body authorising the clauses	X	

	YES	NO
Is the General Shareholders Meeting informed of these clauses	X	

B.1.11. Indicate the process for establishing board members remuneration and any relevant clauses in the Articles of Association regarding such payment.

In accordance with Article 28 of the Articles of Association, Directors remuneration shall be comprised of a fixed monthly allowance plus expenses for attending meetings of the Board of Directors and its management or consultative Committees. Any remuneration the Company may pay its Directors collectively under either of the foregoing headings shall be that set for that purpose by the General Shareholders Meeting, and shall remain in force until this body resolves that it be changed. The Board of Directors shall determine the exact amount to be paid within that ceiling and how it is divided amongst the various Directors. 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.

Additionally, apart from the remuneration detailed in the previous section and applicable for all directors, other remuneration systems may be created that may either be indexed to the list 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 stock 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 other terms and conditions as deemed appropriate.

The remuneration systems set out in the preceding paragraphs, arising from membership in 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 supervisory and supervisory duties as may pertain to their posts as Directors, which shall be subject to the applicable legal provisions.

Pursuant to Article 38 of the Regulations of the Board of Directors, Directors shall be entitled to obtain the remuneration set by the Board of Directors according to statutory provisions and following a report issued by the Nominating, Compensation and Corporate Governance Committee. In this regard, and in accordance with the above-mentioned Article 38, with respect to Article 25 of the same

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regulations, it is incumbent upon the Nominating, Compensation and Corporate Governance Committee of the Board of Directors to report and propose to the Board the compensation system for Directors and to review such compensation from time to time to ensure that it is suitable (the Board shall endeavour to ensure that the remuneration of Directors is in keeping with that paid in the market at companies of similar size and activity) with the services rendered by them. In addition, and pursuant to Article 28.4 of the Articles of Association of Telefonica, S.A., the Annual Report sets out the individual remuneration paid for each post and position on the Board and its Committees (Chairman, Vice Chairman and Member).

The remuneration paid to executive Directors for their executive functions at the Company is set out in aggregate form, broken down into the various remunerative items or concepts.

B.1.12. 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 or corporate name of Director	Name or corporate name of the significant shareholder	Post
MR. FERNANDO DE ALMANSA MORENO-BARREDA	BANCO BILBAO VIZCAYA ARGENTARIA	MANAGING DIRECTOR OF EXTERNAL SERVICES AT APOYO EMPRESARIAL, S.A.
MR. FERNANDO DE ALMANSA MORENO-BARREDA	BANCO BILBAO VIZCAYA ARGENTARIA	DIRECTOR OF BBVA BANCOMER MEXICO, S.A. DE C.V.
MR. ISIDRO FAINE CASAS	HODEFI, S.A.S	CHAIRMAN
MR. ISIDRO FAINE CASAS	PORT AVENTURA, S.A.	DIRECTOR
MR. ISIDRO FAINE CASAS	CAIXA HOLDING, S.A., SOCIEDAD UNIPERSONAL	DIRECTOR
MR. ISIDRO FAINE CASAS	CAJA DE AHORROS Y PENSIONES DE BARCELONA, "LA CAIXA"	GENERAL MANAGER
MR. ANTONIO MASSANELL LAVILLA	CAJA DE AHORROS Y PENSIONES DE BARCELONA, "LA CAIXA"	DEPUTY EXECUTIVE DIRECTOR GENERAL
MR. ANTONIO MASSANELL LAVILLA	E-LA CAIXA, S.A.	EXECUTIVE CHAIRMAN
MR. ANTONIO MASSANELL LAVILLA	CAIXA CAPITAL RISC, S.G.E.C.R., S.A.	DIRECTOR
MR. ANTONIO MASSANELL LAVILLA	PORT AVENTURA, S.A.	DIRECTOR
MR. ANTONIO MASSANELL LAVILLA	C3 CAIXA CENTER, S.A.	JOINT ADMINISTRATOR
MR. ANTONIO MASSANELL LAVILLA	CAIXA CAPITAL DESARROLLO, S.C.R., S.A.	DIRECTOR
MR. GREGORIO VILLALABEITIA GALARRAGA	BBVA PROVIDA AFP	CHAIRMAN
MR. GREGORIO VILLALABEITIA GALARRAGA	BANCO BILBAO VIZCAYA ARGENTARIA CHILE	MEMBER OF THE BOARD

Detail, if appropriate, any relevant relations other than those indicated in the previous section that link members of the board of directors with significant shareholders and/or their group companies:

Name or corporate name of Director	Name or corporate name of significant shareholder	Relationship
MR. VITALINO MANUEL NAFRUEN AZNAR	BANCO BILBAO VIZCAYA ARGENTARIA	RETAIL BANKS DIRECTOR FOR SPAIN AND PORTUGAL IN EARLY RETIREMENT

MR. GREGORIO VILLALABEITIA GALARRAGA	BANCO BILBAO VIZCAYA ARGENTARIA	GENERAL MANAGER IN EARLY RETIREMENT
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B.1.13. Indicate, if applicable, any changes made in the Board Regulations during this year.

No changes were made in fiscal year 2006 to the Regulations of the Board of Directors of Telefónica, S.A. approved by its Board of Directors on March 31, 2004 and registered with the Commercial Registry of Madrid on April 22, 2004, pursuant to the provisions of Law 26/2003 of July 17 (Transparency Law).

B.1.14. 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 Articles of Association 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 Articles of Association, 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, 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 Nomination, Remuneration and Corporate Governance Committee, although such report is not binding.

Thus, and 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 the majority over executive Directors. Likewise, the Board shall ensure that within such majority group of external Directors, there are, on the one hand, Directors proposed by holders of significant, stable stakes in the company share capital (proprietary Directors) and, on the other, professionals of acknowledged prestige who are not linked to the management team nor to the significant shareholders (independent Directors). Similarly, the Board shall endeavour to ensure that the independent Directors comprise a majority over the proprietary Directors.

With respect to the selection of external or non-executive Directors, the choice of candidates should fall upon persons of recognised solvency, competency and experience, who are willing to dedicate a sufficient amount of their time to the Company, and extreme care must be taken as to the choice of the persons called to cover posts as independent Directors.

In reference to the election of the aforementioned independent Directors, the Regulations of the Board of Directors establishes that the Board shall propose or assign persons who fulfil the conditions that ensure their impartiality and objective criteria to cover independent Director posts. The criteria applied, for the purpose of illustration, include the following:

- A. Not to have, or to have recently had, any direct or indirect labour or commercial contractual relation of a significant nature with the Company, its management, the proprietary Directors or companies in the Group whose shareholding interests they represent, banking institutions with an outstanding position in the Company financing, or organisations that receive significant subsidies from it;
- B. Not to be a Director of another listed company that has proprietary Directors in the Company;
- C. Not to be a close relative of the executive or proprietary Directors or of the Company's executive officers.

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 proposals for appointment, proposals for the re-election of Directors must be preceded by the relevant favourable report issued by the Nomination, Remuneration and Corporate Governance Committee, although such report is not binding.

ASSESSMENT

In accordance with the Regulations of the Board of Directors, this body evaluates its operation and the quality of its work annually, when the Annual Corporate Governance Report is approved.

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 this body by law.

B.1.15. Indicate under what circumstances directors are obliged to resign.

In accordance with Article 15 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 reach the age of 70. Directors with executive duties shall cease to serve in such capacity when they reach the age of 65, although they may continue as Directors if the Board so decides.
- 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.
- When they incur in any of the cases of incompatibility or barring envisaged by law.
- When severely admonished by the Nomination, Remuneration and Corporate Governance Committee for having failed to fulfil any of their obligations as Directors.
- 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.

B.1.16. 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
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X	
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- 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.

- Moreover, 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.

B.1.17. Are qualified majorities other than those established by law required for certain decisions?

YES	NO
	X

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	Quorum	Type of majority
All resolutions	Personal or proxy attendance of one half plus one of all the Directors	Majority of votes present or represented, except in the cases in which the law requires the favourable vote of a larger number of Directors. 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 specifically for (i) the appointment of Directors not holding a minimum of shares representing a nominal value of 300 euros,

		(art. 25 of the Articles of Association) and (ii) for the appointment of Chairman, which is explained in the following section.
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B.1.18. Explain if there are other requirements, other than those for Directors, for being appointed Chairman.

NO

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

B.1.19. Indicate whether the Chairman has the casting vote:

YES