

DEERE & CO  
Form 8-K  
October 03, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report: October 3, 2016

(Date of earliest event reported)

**DEERE & COMPANY**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction of incorporation)

**1-4121**  
(Commission File Number)

**36-2382580**  
(IRS Employer Identification No.)

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One John Deere Place

Moline, Illinois 61265

(Address of principal executive offices and zip code)

(309) 765-8000

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure

Deere & Company

One John Deere Place, Moline, IL 61265 USA

Phone: 309-765-8000

[www.JohnDeere.com](http://www.JohnDeere.com)

## DEERE TO RELEASE MONTHLY RETAIL-SALES

MOLINE, IL (3 October 2016) -- Deere & Company today said it expects to report on September retail sales early next week. The information will be accessible in written format at [www.JohnDeere.com/retailsales](http://www.JohnDeere.com/retailsales), after the monthly announcement of industry sales by the Association of Equipment Manufacturers. The AEM report is normally made public on or around the tenth day of the month.

Deere's report will provide comment about the AEM data and other information concerning company retail sales of farm machinery, selected turf & utility equipment, and construction equipment.

Other information regarding developments at Deere may also be posted on the company website from time to time.

**###**

*Deere & Company (NYSE: DE) is a world leader in providing advanced products and services and is committed to the success of customers whose work is linked to the land - those who cultivate, harvest, transform, enrich and build upon the land to meet the world's dramatically increasing need for food, fuel, shelter and infrastructure. Since 1837, John Deere has delivered innovative products of superior quality built on a tradition of integrity. For more information, visit John Deere at its worldwide website at [www.JohnDeere.com](http://www.JohnDeere.com).*



**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

DEERE & COMPANY

By: /s/ Todd E. Davies  
Todd E. Davies  
Secretary

Dated: October 3, 2016

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|  |        |
|--|--------|
| <b>Total number of executive directors</b>   | 3      |
| <b>% of total number of members of Board</b> | 17.647 |

**EXTERNAL PROPRIETARY DIRECTORS**

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

|  |        |
|--|--------|
| <b>Total number of proprietary directors</b> | 4      |
| <b>% of the Board</b>                        | 23.529 |



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**EXTERNAL INDEPENDENT DIRECTORS**

| <b>Name or company name of director</b>      | <b>Profile</b>   |
|--|--|
| Alfonso Ferrari Herrero                      | Industrial Engineer. Formerly Executive Chairman of Beta Capital, S.A. and senior manager at Banco Urquijo.  |
| Carlos Colomer Casellas                      | Economics Degree. Chairman of the Colomer Group.   |
| David Arculus                                | Engineering and Economics Degree. Director of Telefónica Europe, Plc. and Pearson, Plc. Chairman of the Royal Institution of Great Britain.  |
| Francisco Javier de Paz Mancho               | Information and Advertising Degree. Law Studies. IESE Business Management Program. Formerly Chairman of the State-owned company MERCASA.   |
| Gonzalo Hinojosa Fernández de Angulo         | Industrial Engineer. Formerly Chairman and CEO of Cortefiel Group.   |
| Luiz Fernando Furlán                         | Degrees in Chemical Engineering and Business Administration, specializing in Financial Administration. From 2003 to 2007 he was Minister of Development, Industry and Foreign Trade of Brazil. |
| María Eva Castillo Sanz                      | Degrees in Business, Economics and Law. Head of Merrill Lynch's Global Wealth Management business operations in Europe, the Middle East, & Africa.   |
| Pablo Isla Álvarez de Tejera                 | Law Degree. Member of the Body of State Lawyers (on leave of absence). First Vice Chairman and CEO of Inditex, S.A.  |
| <b>Total number of independent directors</b> | 8  |
| <b>% of the Board</b>                        | 47.059   |

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**OTHER EXTERNAL DIRECTORS**

| <b>Name or company name of director</b>   | <b>Committee proposing appointment</b>                      |
|---|---|
| José Fernando de Almansa Moreno-Barreda   | Nominating, Compensation and Corporate Governance Committee |
| Peter Erskine   | Nominating, Compensation and Corporate Governance Committee |
| <b>Total number of other external directors</b>   | <b>2</b>  |
| <b>% of the Board</b>   | <b>11.765</b>   |
| List the reasons why they cannot be considered proprietary or independent and their relationship with the company, Board members or shareholders: |   |

| <b>Name or company name of director</b> | <b>Reasons</b>  | <b>Company, director or shareholder with whom relationship is held</b> |
|---|---|--|
| Peter Erskine                           | On 31 December 2007, Peter Erskine relinquished his executive functions in the Telefónica Group. Therefore his classification has been changed from Executive Director to Other External Director.  | Telefónica, S.A.   |
| José 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 26 February 2003, following a favorable report from the Nominating, Compensation and Corporate Governance Committee. | Alternate Director of BBVA Bancomer México, S.A. de C.V.               |

In accordance with the criteria established in the Unified Code on Good Governance with regard to the qualification of Directors and taking into account the concurrent circumstances in this specific case, the Company considers that Mr. Almansa belongs to the category of Other External Directors, for the following reasons:

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

Until March 2008, he was the CEO of the Mexican company Servicios Externos de Apoyo Empresarial, S.A. de C.V., of Group BBVA.



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

| <b>Name or company name of director</b> | <b>Date of change</b> | <b>Previous type</b> | <b>Current type</b> |
|---|-----------------------|----------------------|---------------------|
| Peter Erskine                           | 12/31/07              | Executive            | Other External      |

**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:**

**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:**

**No**

**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:**

**Yes**

| <b>Name of director</b> | <b>Reason for leaving</b>   |
|-------------------------|---|
| Antonio Viana-Baptista  | Handed in voluntary resignation verbally to the Chairman of the Board of Directors, citing personal reasons. The rest of the Board was duly notified at the meeting held on 23 January, 2008. |
| Manuel Pizarro Moreno   | Handed in voluntary resignation verbally to the Chairman of the Board of Directors, citing personal reasons. The rest of the Board was duly notified at the meeting held on 23 January, 2008. |

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**B.1.6 Indicate, if applicable, any powers delegated to the Managing Director(s):  
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 By-Laws, 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. Article 5.4 specifically stipulates that the Board of Directors reserves the power to approve: (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 executive officers, as well as the compensation policy for Directors and senior executive officers; and (iv) strategic investments.

**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 By-Laws or by the Regulations of the Board of Directors.

**Table of Contents****B.1.7 Identify any board members holding senior management or directorships in other companies belonging to the listed company's group:**

| <b>Name or company name of director</b> | <b>Corporate name of the group company</b>        | <b>Position</b>               |
|---|---|-------------------------------|
| Julio Linares López                     | Telefónica de España, S.A.U.                      | Director                      |
|   | Telefónica Europe, Plc.                           | Director                      |
|   | Telefónica Móviles España, S.A.U.                 | Director                      |
| Alfonso Ferrari Herrero                 | Compañía de Telecomunicaciones de Chile, S.A.     | Acting Director               |
|   | Telefónica del Perú, S.A.A.                       | Director                      |
|   | Telefónica Internacional, S.A.U.                  | Director                      |
|   | Telefónica Móviles Chile, S.A.                    | Director                      |
| David Arculus                           | Telefónica Europe, Plc.                           | Director                      |
| Francisco Javier de Paz Mancho          | Atento Holding, Inversiones y Teleservicios, S.A. | Non-executive Chairman        |
|   | Telecomunicações de Sao Paulo, S.A.               | Director                      |
|   | Telefónica de Argentina, S.A.                     | Director                      |
|   | Telefónica Internacional, S.A.U.                  | Director                      |
| José Fernando de Almansa Moreno-Barreda | Telecomunicações de Sao Paulo, S.A.               | Director                      |
|   | Telefónica de Argentina, S.A.                     | Director                      |
|   | Telefónica del Perú, S.A.A.                       | Director                      |
|   | Telefónica Internacional, S.A.U.                  | Director                      |
|   | Telefónica Móviles México, S.A. de C.V.           | Director                      |
| José María Álvarez-Pallete López        | Brasilcel, N.V.                                   | Chairman of Supervisory Board |
|   | Colombia Telecomunicaciones, S.A. ESP             | Director                      |
|   | Compañía de Telecomunicaciones de Chile, S.A.     | Acting Director               |
|   | Telecomunicações de Sao Paulo, S.A.               | Director/Vice Chairman        |
|   | Telefónica DataCorp, S.A.U.                       | Director                      |
|   | Telefónica de Argentina, S.A.                     | Acting Director               |
|   | Telefónica del Perú, S.A.A.                       | Director                      |
|   | Telefónica Internacional Chile, S.A.              | Director                      |
|   | Telefónica Internacional, S.A.U.                  | Executive Chairman            |
|   | Telefónica Larga Distancia de Puerto Rico, Inc.   | Director                      |
|   | Telefónica Móviles Chile, S.A.                    | Acting Director               |
|   | Telefónica Móviles Colombia, S.A.                 | Acting Director               |
|   | Telefónica Móviles México, S.A. de C.V.           | Director/Vice Chairman        |
| Telefónica USA, Inc.                    | Director  |                               |
| Luiz Fernando Furlán                    | Telecomunicações de Sao Paulo, S.A.               | Director                      |

Peter Erskine

Telefónica Europe, Plc.

Director

**Table of Contents****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:**

| <b>Name or company name of director</b> | <b>Company name of listed company</b>       | <b>Position</b>                       |
|---|---|---------------------------------------|
| Isidro Fainé Casas                      | Criteria CaixaCorp, S.A.                    | Director                              |
|   | Abertis Infraestructuras, S.A.              | Chairman                              |
|   | Repsol YPF, S.A.                            | 2nd Vice Chairman                     |
| Carlos Colomer Casellas                 | Indo Internacional, S.A.                    | Director                              |
|   | Inversiones Mobiliarias Urquiola S.A. SICAV | Chairman                              |
|   | Ahorro Bursátil, S.A. SICAV                 | Chairman                              |
| Gonzalo Hinojosa Fernández de Angulo    | Dinamia Capital Privado, S.A., SCR          | Director                              |
| Pablo Isla Alvarez de Tejera            | Inditex, S.A.                               | Vice Chairman-Chief Executive Officer |

**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****Explanation of rules**

The Nominating, Compensation and Corporate Governance Committee establishes as one of the obligations of the Directors (Article 29 of the Regulations of the Board of Directors) that Directors must devote the time and efforts required to perform their duties and, to such end, shall report to the Nominating, Compensation and Corporate Governance Committee on their other professional obligations if they might interfere with the performance of their duties as Directors

In addition (Article 32.g of the Regulations of the Board of Directors), the Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, may forbid Directors from holding significant positions within entities that are competitors of the Company or of any of the companies in its Group.

**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:**

|  |            |
|--|------------|
| <b>The investment and financing policy</b>   | <b>Yes</b> |
| <b>The definition of the structure of the group of companies</b>   | <b>Yes</b> |
| <b>The corporate governance policy</b>   | <b>Yes</b> |
| <b>The corporate social responsibility policy</b>  | <b>Yes</b> |
| <b>The strategic or business Plan, as well as the management aims and annual budgets</b>   | <b>Yes</b> |
| <b>The remuneration policy and performance assessment of senior management</b>   | <b>Yes</b> |
| <b>The policy of risk management and control, as well as the periodic monitoring of the internal information and control systems</b> | <b>Yes</b> |

**Policy on dividends, treasury and, specifically, on the limits to apply.**

**Yes**

**Table of Contents****B.1.11 Please fill in the following tables regarding the accrued aggregate remuneration of Directors during the financial year:****a) In the company subject of this report:**

| <b>Remuneration item</b>                         | <b>Thousand euros</b> |
|--|-----------------------|
| Fixed remuneration                               | 8,298                 |
| Variable remuneration                            | 6,409                 |
| Attendance fees                                  | 215                   |
| Token Payments                                   | 0                     |
| Stock options and/or other financial instruments | 0                     |
| Other  | 1,602                 |
| <b>TOTAL:</b>                                    | <b>16,524</b>         |

| <b>Other Benefits</b>                                       | <b>Thousand euros</b> |
|---|-----------------------|
| Advances  | 0                     |
| Loans granted   | 0                     |
| Pension Plans and Funds: Contributions                      | 18                    |
| Pension Plans and Funds: Commitments                        | 0                     |
| Life Insurance premiums                                     | 59                    |
| Guarantees constituted by the company in favor of directors | 0                     |

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

| <b>Remuneration item</b>                         | <b>Thousand euros</b> |
|--|-----------------------|
| Fixed remuneration                               | 2,678                 |
| Variable remuneration                            | 1,477                 |
| Attendance fees                                  | 0                     |
| Token Payments                                   | 0                     |
| Stock options and/or other financial instruments | 0                     |
| Other  | 353                   |
| <b>TOTAL</b>                                     | <b>4,508</b>          |

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| <b>Other Benefits</b>                                       | <b>Thousand euros</b> |
|---|-----------------------|
| Advances  | 0                     |
| Loans granted   | 0                     |
| Pension Plans and Funds: Contributions                      | 7                     |
| Pension Plans and Funds: Commitments                        | 0                     |
| Life Insurance premiums                                     | 12                    |
| Guarantees constituted by the company in favor of directors | 0                     |

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

| <b>Type of director</b> | <b>By company</b> | <b>By group</b> |
|-------------------------|-------------------|-----------------|
| Executive               | 12,698            | 3,264           |
| External Proprietary    | 1,201             | 0               |
| External Independent    | 2,128             | 760             |
| Other external          | 497               | 484             |
| <b>Total</b>            | <b>16,524</b>     | <b>4,508</b>    |

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

|   |        |
|---|--------|
| <b>Total directors remuneration (thousand euros)</b>                                      | 21,032 |
| <b>Total directors remuneration/benefits attributed to the controlling company (in %)</b> | 0.3    |

**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:**

| <b>Name or company name</b>                                     | <b>Position</b>                                       |
|---|---|
| Santiago Fernández Valbuena                                     | General Manager of Finance and Corporate Development  |
| Luis Abril Pérez  | Technical General Secretary to the Chairman           |
| Ramiro Sánchez de Lerín García-Ovies                            | General Legal Secretary and of the Board of Directors |
| Calixto Ríos Pérez  | Internal Auditing Manager                             |
| Guillermo Ansaldo Lutz  | General Manager Telefónica España                     |
| Matthew Key   | General Manager Telefónica España                     |
| <b>Total remuneration of senior management (thousand euros)</b> | <b>14,135</b>   |



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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:**

|   |                           |                             |
|---|---------------------------|-----------------------------|
| <b>Number of beneficiaries</b>  |                           | 9                           |
|   |                           | <b>General Shareholders</b> |
|   | <b>Board of Directors</b> | <b>Meeting</b>              |
| <b>Body authorizing the clauses</b>                                   | <b>Yes</b>                | <b>No</b>                   |
| <b>Is the General Shareholders Meeting informed of these clauses?</b> |                           | <b>Yes</b>                  |

**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 By-laws**

In accordance with Article 28 of the By-Laws, Directors compensation shall consist of a fixed and specific monthly remuneration and of fees for attending meetings of the Board of Directors and the executive and advisory Committees thereof. The compensation amount that the Company may pay to all of its Directors as remuneration and attendance fees shall be fixed by the shareholders at the General Shareholders Meeting, which amount shall remain unchanged until and unless the shareholders decide to modify it. To this effect, the General Shareholders Meeting held on 11 April 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 such limit and the distribution thereof among the Directors.

In accordance with Article 35 of the Regulations of the Board of Directors, Directors shall be entitled to receive the compensation set by the Board of Directors in accordance with the By-Laws and following a report of the Nominating, Compensation and Corporate Governance Committee.

In accordance with Article 5 of this same regulatory text, the Board of Directors expressly reserves the power to approve both the Directors compensation policy and the decisions related thereof.

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

To propose to the Board of Directors the compensation for the Directors and review it periodically to ensure that it is in keeping with the tasks performed by them.

To propose to the Board of Directors the extent and amount of the compensation, rights and remuneration of a financial nature, of the Chairman, the executive Directors and the senior executive officers of the Company, including the basic terms of their contracts, for purposes of contractual implementation thereof.

To prepare and propose to the Board of Directors an annual report regarding the Director compensation policy.

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 authorized 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.

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

**At the proposal of the company's chief executive, the appointment and removal of senior officers, and their termination clauses.** **Yes**

**Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and the approval of their contracts.** **Yes**

**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**

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**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** Yes

**Variable remuneration items** Yes

**Main characteristics of the benefits system, with an estimate of their amount or equivalent annual cost.** Yes

**Conditions that must be respected in contracts of those who exercise senior management functions as executive directors** Yes

**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:**

**No**

**Role played by Compensation Committee**

To propose to the Board of Directors, in the framework established in the Company By-Laws, the compensation for the Directors.

To prepare and propose to the Board of Directors an annual report regarding the Director compensation policy.

The report regarding the Director compensation policy of Telefónica, S.A. deals with the following:

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.

Remuneration performance.

Process of drawing up remuneration policy.

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**Was external advice sought?**

**Yes  
Towers  
Perrin**

**Identify the external consultants**

**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:**

| <b>Name or company name of director</b> | <b>Company name of significant shareholder</b>     | <b>Position</b>   |
|---|--|---|
| Isidro Fainé Casas                      | Caja de Ahorros y Pensiones de Barcelona, la Caixa | Chairman of Caja de Ahorros y Pensiones de Barcelona, la Caixa<br>Director of Criteria CaixaCorp, S.A.  |
| Antonio Massanell Lavilla               | Caja de Ahorros y Pensiones de Barcelona, la Caixa | Director of Boursorama, S.A.<br><br>Executive Deputy General Manager of Caja de Ahorros y Pensiones de Barcelona, la Caixa<br>Director of Caixa Capital Risc, S.G.E.C.R., S.A.<br>Executive Chairman of Serveis Informàtics la Caixa, S.A. (SIK)<br>Director of e-la Caixa 1, S.A.<br>Director of Espacio Pyme, S.A.<br>Director of Port Aventura, S.A. |
| José Fernando de Almansa Moreno-Barreda | Banco Bilbao Vizcaya Argentaria, S.A.              | Alternate Director of BBVA Bancomer México, S.A. de C.V.  |

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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:

| <b>Name or company name of director with relationship</b> | <b>Name or company name of significant shareholder with relationship</b> | <b>Description of relationship</b>  |
|---|--|---|
| Vitalino Manuel Nafría Aznar                              | Banco Bilbao Vizcaya Argentaria, S.A.                                    | Early retirement. Formerly Retail Banking Manager for Spain and Portugal. |
| 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**

**Description of changes**

The Board of Directors, at its meeting held on February 27, 2008, approved a new amendment of the Regulations of the Board of Directors, which affects only the composition of the Board Committees listed below. Specifically, it affects, the maximum number of Directors each may contain. In all cases the minimum number of Directors necessary for each Committee is three, and it is a requirement that a majority of them are external Directors.

Regulation Committee (Article 23)

Human Resources and Corporate Reputation and Responsibility Committee (Article 24)

Service Quality and Customer Service Committee (Article 25)

International Affairs Committee (Article 26)

The main justification for this change is the need to provide the Board of Directors with more flexibility as regards the maximum number of members that should form part of each of the Committees at any given time, being able to establish the composition of the committees in the manner it deems most convenient, on the basis of the powers and duties assigned to each of them.

These modifications were notified to the CNMV and inscribed in the Mercantile Register of Madrid on April 2, 2008.

**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 By-Laws establish that the Board of Directors shall be composed of a minimum of five members and a maximum of twenty, to be appointed at the General Shareholders Meeting. The Board of Directors may, in accordance with the provisions set out in the Spanish Companies Law and in the Company By-Laws, fill vacant positions temporarily by interim appointment.

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It is only on certain occasions that the Board of Directors shall have the power to fill, on an interim basis, any vacancies that may occur therein, by appointing, in such manner as is legally allowed, the persons who are to fill such vacancies until the holding of the next General Shareholders Meeting.

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 favorable report from the Nominating, Compensation and Corporate Governance Committee, and in the case of independent Directors, by the corresponding proposal.

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, the Board of Directors, exercising the right to fill vacancies by interim appointment and to propose appointments to the shareholders at the General Shareholders Meeting, shall ensure that, in the composition of the Board of Directors, external or non-executive Directors represent an ample majority over executive Directors.. In addition, the Board shall ensure that the total number of independent Directors represents at least one-third of the total number of members of the Board.

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 Corporate Governance Report.

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 recognized 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 shall serve in their position for a period of five years. They may be re-elected one or more times to terms of the same duration.

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

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**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 organize and coordinate, together with the Chairman of the Board of Directors, the regular assessment of said Body.

In accordance with the above, it should be noted that the Board of Directors and its Committees carry out a periodic evaluation of the operation of the Board of Directors and of the Committees thereof in order to determine the opinion of Directors regarding the workings of these bodies and to establish any proposals for improvements to ensure the optimum working of the company's governing bodies.

**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.

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.

The removal of independent Directors may also be proposed as a result of Public Tender Offers, mergers or other similar corporate transactions that entail a change in the company's capital structure.

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

In accordance with Article 12 of the Regulations of the Board of Directors, Directors must tender their resignation to the Board of Directors and formalize such 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 no longer exist.
- b) When they are affected by any of the cases of incompatibility or prohibition established by statute.
- c) When they are severely reprimanded by the Nominating, Compensation and Corporate Governance Committee for having failed to fulfill any of their obligations as Directors.
- d) When their remaining on the Board might affect the Company's credit or reputation in the market or otherwise jeopardizes its interests.

The conditions listed above under Recommendation B.1.19 Removal must also be taken into consideration.

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**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**

**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.

The Board of Directors reserves the power to approve: the general policies and strategies of the Company; the evaluation of the Board, its Committees and its Chairman; the appointment of senior executive officers, as well as the compensation policy for Directors and senior executive officers; and strategic investments.

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

It is important to note 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 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

**No**



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**B.1.22 Are qualified majorities other than those established by law, required for certain decisions?**

**No**

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:

| <b>Description of resolution</b> | <b>Adoption of resolutions</b>                                      |   |
|----------------------------------|---|---|
|                                  | <b>Quorum</b>   | <b>Type of Majority</b>   |
| All resolutions                  | Personal or proxy attendance of one half plus one of all Directors. | Resolutions shall in all cases be adopted by a majority of votes cast by the Directors present at the meeting in person or by proxy, except in those instances in which the Law requires the favorable vote of a greater number of Directors for the validity of specific resolutions and in particular for: (i) the appointment of Directors not holding a minimum of shares representing a nominal value of 3,000 euros, (Article 25 of the Company By-Laws) 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**

**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, this requirement shall not be applicable if the appointment is made with the favorable vote of at least 85 percent of the members of the Board of Directors.

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

**No**

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

**No**

**Age limit for Chairman**

0

**Age limit for CEO**

0

**Age limit for Directors**

0

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

**No**

**Maximum number of years in office**

0

**B.1.27 When women directors are few or non existent, state the reasons for this situation and the measures taken to correct it.**

*Explanation of reasons and measures*

The search for women who meet the necessary professional profile is a question of principle and, in this regard, it is clear that Telefónica has taken this concern on board. In this regard, it should be noted that, on January 23, 2008, the Board of Directors unanimously agreed to appoint, by means of interim appointment and at the proposal of the Nominating, Compensation and Corporate Governance Committee, María Eva Castillo Sanz as an Independent Member of the Board of Telefónica. This appointment was ratified by the Ordinary General Shareholders Meeting of Telefónica held on April 22, 2008, and she was thus appointed as a Member of the Board of the Company for a period of five years.

Likewise, on December 19, 2007, the Board of Directors unanimously agreed, following a favorable report from the Nominating, Compensation and Corporate Governance Committee, to appoint María Luz Medrano Aranguren as the Deputy Secretary General and of the Board of Directors of Telefónica.

Article 10.3. of the Regulations of the Board of Directors stipulates that the Board of Directors and the Nominating, Compensation and Corporate Governance Committee shall ensure, within the scope of their respective powers, that the candidates chosen are persons of recognized caliber, qualifications and experience, who are willing to devote a sufficient portion of their time to the Company, and shall take extreme care in the selection of the persons to be appointed as independent Directors.

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Therefore, the selection procedure described above is based exclusively on the personal merits of the candidates ( recognized caliber, qualifications and experience ) and their ability to dedicate themselves to the functions of members of the board, so there is no implicit bias capable of impeding the selection of female directors, if, within the potential candidates, there are female candidates who meet the professional profile sought at each moment. 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**

**Description of the main procedures**

Article 10.3 of the Regulations of the Board of Directors stipulates that the Board of Directors and the Nominating, Compensation and Corporate Governance Committee shall ensure, within the scope of their respective powers, that the candidates chosen are persons of recognized caliber, qualifications and experience, who are willing to devote a sufficient portion of their time to the Company.

**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 meetings of the Board in person, and when unable to do so in exceptional cases, they shall endeavor to ensure that the proxy they grant to another member of the Board includes, as the extent practicable, appropriate instructions. Such proxies may be granted by letter or any other means that, in the Chairman’s opinion, ensures the certainty and validity of the proxy granted.

**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:**

|   |    |
|---|----|
| <b>Number of Board meetings</b>                                     | 11 |
| <b>Number of Board meetings held in the absence of its chairman</b> | 0  |

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

|   |    |
|---|----|
| <b>Number of Executive or Delegated Commission meetings</b>     | 18 |
| <b>Number of Audit Committee meetings</b>                       | 12 |
| <b>Number of Nominating and Compensation Committee meetings</b> | 9  |
| <b>Number of Nominating Committee meetings</b>                  | 0  |
| <b>Number of Remuneration Committee meetings</b>                | 0  |

**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:**

|   |       |
|---|-------|
| <b>Number of absences of board members during the year</b>                    | 1     |
| <b>% of absences with regard to total number of votes during the exercise</b> | 0.534 |

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

**No**

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

**B.1.32 Explain the mechanisms, if any, established by the Board of Directors to ensure the individual and consolidated accounts are not presented at the General Shareholders Meeting with qualifications 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. In this regard, and in order to achieve this objective, the Audit and Control Committee s work addresses the following basic questions:

- (i) to know the process for gathering financial information and the internal control systems. With respect thereto:
  - a) To supervise the process of preparation and the integrity of the financial information relating to the Company and the Group, reviewing compliance with regulatory requirements, the proper determination of the scope of consolidation, and the correct application of accounting standards, informing the Board of Directors thereof.
  - b) To propose to the Board of Directors the risk management and control policy.

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(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 Auditor and the Company management team;

(iii) to supervise the internal audit services; and, in particular:

- a) To ensure the independence and efficiency of the internal audit function
- b) To propose the selection, appointment and removal of the person responsible for the internal audit;
- c) To propose the budget for such service;
- d) To review the internal audit work plan and its annual activities report;
- e) To receive periodic information of its activities; and
- f) To verify that the senior executive officers take into account the conclusions and recommendations of its reports.

The Audit and Control Committee verifies both the periodical financial information and the Annual Financial Statements, ensuring that all financial information is drawn up according to the same professional principles and practices. To this effect, the Audit and Control Committee meets whenever appropriate, having held twelve (12) meetings in the course of 2008.

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 at the Committee's request, 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, managers from the finance, planning and controlling areas, 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 when it was deemed such a measure was necessary to closely monitor the preparation of the Company's financial information.

Notwithstanding the above, Article 41 of the Regulations of the Board of Directors stipulates that the Board of Directors shall endeavor to prepare the final financial statements in a manner that that will create no reason for qualifications from the Auditor. However, whenever the Board considers that it should maintain its standards, it shall publicly explain the contents and scope of the discrepancies.

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

**No**

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**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 of Directors, upon the proposal of the Chairman, and after a report from the Nominating, Compensation and Corporate Governance Committee, shall appoint a Secretary of the Board, and shall follow the same procedure for approving the removal thereof.

|  |     |
|--|-----|
| <b>Does the Nominating Committee notify the appointment?</b> | Yes |
| <b>Does the Nominating Committee notify the removal?</b>     | Yes |
| <b>Does the Board in full approve the appointment?</b>       | Yes |
| <b>Does the Board in full approve the removal?</b>           | Yes |

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

Yes

**Comments**

In any case, the Secretary of the Board shall attend to the formal and substantive legality of the Board's actions, the conformance thereof to the By-Laws, the Regulations for the General Shareholders' Meeting and of the Board, and maintain in consideration the corporate governance recommendations assumed by the Company in effect from time to time (Article 15 of the Regulations of the Board of Directors).

**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 stipulates that the Board of Directors shall, through the Audit and Control Committee, establish a stable, professional relation with the Company's Auditor, strictly respecting the independence thereof. Thus, one of the fundamental duties of the Audit and Control Committee is to maintain relations with the Auditor in order to receive information on all matters that could jeopardize the independence thereof.

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 shareholders at the General Shareholders Meeting, the appointment of the Auditor as well as, where appropriate, appropriate terms of for the hiring thereof, the scope of its professional engagement and revocation or renewal of its appointment.

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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 Auditors must inform the Audit and Control Committee at least once a year on the most relevant generally accepted auditing policies and practices 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 Auditors and the Company management team.

In accordance with internal Company regulations and in line with the requirements imposed by US legislation, the engagement of any service from the external Company Auditors 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 Auditors, the Audit and Control Committee studies the content of the work to be done, weighing the situations that may jeopardize independence of the Company 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 Auditor, including those paid for non-audit services, in its Notes to the Financial Statements, in accordance with the legislation in effect.

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

**No**

**Outgoing Auditor**

**Incoming Auditor**

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

**No**

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**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**

|   | <b>Company</b> | <b>Group</b> | <b>Total</b> |
|---|----------------|--------------|--------------|
| <b>Amount from non-audit work (thousand euros)</b>                                    | 0              | 14           | 14           |
| <b>Amount from non-audit work / total amount invoiced by the auditing firm (in %)</b> | 0              | 0.067        | 0.058        |

**B.1.38 Indicate whether the audit report of the previous year's annual accounts is qualified or has reservations. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.**

**No**

**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:**

|                                    | <b>Company</b> | <b>Group</b> |
|------------------------------------|----------------|--------------|
| <b>Number of consecutive years</b> |                |              |