VERIZON COMMUNICATIONS INC
Form DEF 14A
March 21, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

VERIZON COMMUNICATIONS INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Corporate

Responsibility

at Verizon

Power of connectivity

Verizon leverages its technological expertise to create real, positive change in the world. Whether we are introducing children in underserved communities to the excitement of coding by helping them create their own mobile apps, or enabling small fleet operators to monitor their vehicles remotely, or showing cities how to use data to manage traffic flow more efficiently, we work for better answers and better ideas.

Education: The classroom is everywhere

Technology is changing where and how we educate our young people, providing new ways to engage, motivate and teach. Verizon s solutions and programs empower schools to address global trends like the homework gap, the STEM skill shortage and the shift towards hands-on learning to prepare students to succeed in jobs of the future.

The Internet of Things creates even more opportunities

Integrating data and technology seamlessly into people s lives has tremendous potential in addressing significant societal challenges. Verizon has taken the lead in exploring IoT s capabilities to help farmers remotely monitor soil conditions and energy utilities to modernize their grids, facilitating smarter, more sustainable communities.

Environment: Technology is essential to a low-carbon future

Verizon understands that a connected world is a more sustainable world. Internet and communications technology is essential to improving resource efficiency and reducing global carbon emissions. Verizon has set public goals to reduce our environmental impact, and we are leveraging our core capabilities to help our customers reduce their resource consumption and carbon footprints.

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Notice of Annual Meeting of Shareholders

Time and date

Thursday, May 5, 2016

8:30 a.m., local time

Place

Hotel Albuquerque at Old Town

800 Rio Grande Boulevard, NW

Albuquerque, New Mexico 87104

Items of business

Elect the 13 Directors identified in the accompanying proxy statement

Ratify the appointment of the independent registered public accounting firm

How to vote

Online **Phone** **Mail** **In person**

If you are a registered shareholder, you may vote online at **www.envisionreports.com/vz**, by telephone or by mailing a proxy card.

You may also vote in person at the annual meeting. If you hold your shares through a bank, broker or other institution, you will receive a voting instruction form that explains the various ways you can vote. We encourage you to vote your shares as soon as possible.

Important Notice Regarding Availability of Proxy Materials for Verizon s Shareholder Meeting to be Held on May 5, 2016

The 2016 Proxy Statement and 2015 Annual Report to Shareholders are available at **www.edocumentview.com/vz**

Approve, on an advisory basis, Verizon s executive compensation

Act upon the shareholder proposals described in the proxy statement that are properly presented at the meeting

Consider any other business that is properly brought before the meeting

March 21, 2016

By Order of the Board of Directors,

William L. Horton, Jr.

Senior Vice President, Deputy General

Counsel and Corporate Secretary

Verizon Communications Inc.

1095 Avenue of the Americas

New York, New York 10036

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Proxy Summary

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information you should consider, so you should read the entire proxy statement before voting. For more complete information regarding Verizon s 2015 performance, please review Verizon s 2015 Annual Report to Shareholders.

We look back on 2015 as a year that solidified Verizon s position at the center of the trends shaping the digital age.

Looking ahead to the future in 2016...

Aol.	**go90**	**ThingSpace**	**hum**	**5G**
Acquired leading digital advertising capability and content	Launched millennial-focused path-breaking video streaming service	Unveiled a platform that helps developers bring new Internet of Things technologies to market	Introduced the possibility of telematics to 150 million cars on the road today	Leading the evolution of wireless technology with field trials expected in 2016

Meeting information

Date and time May 5, 2016, 8:30 a.m., local time

Place Hotel Albuquerque at Old Town, 800 Rio Grande Boulevard, NW, Albuquerque, New Mexico 87104

Record Date Shareholders as of March 7, 2016 may vote

Admission and Voting Please see Additional Information about the Annual Meeting beginning on page 78

Executive compensation program highlights

Our executive compensation program reflects Verizon s commitment to industry-leading compensation and governance practices. The program is discussed in more detail in the Compensation Discussion and Analysis beginning on page 27.

Objectives

Align executives and shareholders interests

Attract, retain and motivate high-performing executives

Governance leader

Semiannual shareholder outreach

Shareholder approval policy for severance benefits

Significant executive share ownership requirements

Clawback policy

Pay-for-performance

Extensive focus on variable, incentive-based pay:

10% Fixed pay

90% Incentive-based pay

70% long-term incentives

20% short-term incentives

Total compensation opportunity targeted at median of our peer group

No defined benefit pension or supplemental retirement benefits

No executive employment agreements

Anti-hedging policy

No cash severance benefits for the CEO

Say-on-pay advisory vote every year since 2009

No excise tax gross-ups

Independent compensation consultant since 2006

2015 compensation

The summary below shows the 2015 compensation for each of our named executive officers, as required to be reported in the Summary Compensation Table pursuant to U.S. Securities and Exchange Commission (SEC) rules. Please see the notes accompanying the Summary Compensation Table on page 47 for more information.

Name and Principal Position	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Lowell C. McAdam Chairman and Chief Executive Officer	1,661,538	0	12,000,065	0	4,000,000	83,092	598,965	18,343,660
Francis J. Shammo Executive Vice President and Chief Financial Officer	920,192	0	4,725,031	0	1,350,000	41,566	204,052	7,240,841
Daniel S. Mead Executive Vice President	1,028,846	0	5,250,041	0	1,500,000	319,027	230,931	8,328,845

and President of Strategic Initiatives								
John G. Stratton Executive Vice President and President of Operations	894,231	0	4,593,828	0	1,312,500	52,841	203,910	7,057,310
Marni M. Walden Executive Vice President and President of Product Innovation and New Businesses	894,231	0	4,375,074	0	1,312,500	44,907	174,317	6,801,029

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Agenda and voting recommendations

Item 1

Election of Directors

The Board of Directors recommends that you vote for

the election of these Director candidates.

Shareholders are being asked to elect 13 Directors. Verizon s Directors are elected for a term of one year by a majority of the votes cast in an uncontested election. Additional information about the Director candidates and their respective qualifications begins on page 14 of this proxy statement.

		Director			Committee Memberships*			
Name	Age*	Since	Primary Occupation	Independent	Audit	CGPC	Finance	HRC
Shellye L. Archambeau	53	2013	Chief Executive Officer, MetricStream, Inc.		FE			
Mark T. Bertolini	59	2015	Chairman and Chief Executive Officer, Aetna Inc.					
Richard L. Carrión	63	1997	Chairman and Chief Executive Officer, Popular, Inc.				Chair	
Melanie L. Healey	54	2011	Former Group President of The Procter & Gamble Company					
M. Frances Keeth (LD)	69	2006	Retired Executive Vice President, Royal Dutch Shell plc		FE	Chair		

Karl-Ludwig Kley	64	2015	Chairman of the Executive Board and Chief Executive Officer, Merck KGaA		
Lowell C. McAdam	61	2011	Chairman and Chief Executive Officer, Verizon Communications Inc.		
Donald T. Nicolaisen	71	2005	Retired Chief Accountant of the U.S. Securities and Exchange Commission	**Chair** FE	
Clarence Otis, Jr.	59	2006	Former Chairman and Chief Executive Officer, Darden Restaurants, Inc.	FE	Chair
Rodney E. Slater	61	2010	Partner, Squire Patton Boggs LLP		
Kathryn A. Tesija	53	2012	Strategic Advisor, Target Corporation		
Gregory D. Wasson	57	2013	Former President and Chief Executive Officer, Walgreens Boots Alliance, Inc.	FE	
Gregory G. Weaver	64	2015	Former Chairman and Chief Executive Officer, Deloitte & Touche LLP		

Ages and Committee memberships are as of March 4, 2016 **LD**: Lead Director **CGPC**: Corporate Governance and Policy Committee **HRC**: Human Resources Committee **FE**: Audit Committee Financial Expert

Item 2

Ratification of Auditors

The Board of Directors recommends that you vote for ratification.
We are asking shareholders to ratify the Audit Committee s appointment of Ernst & Young LLP as Verizon s independent registered public accounting firm for 2016. Information on fees paid to Ernst & Young in 2015 and 2014 appears on page 22.

Item 3

Advisory Vote to Approve Executive Compensation

The Board of Directors recommends that you vote for this proposal.
We are asking shareholders to approve, on an advisory basis, the compensation of our named executive officers as described in the sections titled Compensation Discussion and Analysis and Compensation Tables beginning on page 27. We hold this advisory vote on an annual basis.

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Shareholder Proposals

The Board of Directors recommends that you vote against each of the shareholder proposals.
In accordance with SEC rules, we have included in this proxy statement six proposals submitted by shareholders for consideration. The proposals can be found beginning on page 65.

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Proxy Statement

We are mailing this proxy statement to our shareholders beginning on March 21, 2016, and it is also available online at **www.edocumentview.com/vz** or, if you are a registered holder, at **www.envisionreports.com/vz**. Our Board of Directors is soliciting proxies in connection with the 2016 Annual Meeting of Shareholders and encourages you to read this proxy statement and vote your shares promptly.

Verizon s Governance Practices

Commitment to good governance

Our Board of Directors believes that high standards of corporate governance increase value for Verizon s shareholders and enhance our reputation. All of our Directors stand for election each year, and 12 of our 13 Directors standing for re-election this year are independent. Our rigorous Director nomination process identifies candidates with the time, skills and experience to contribute to Verizon and to engage with management about all aspects of our business. Collectively, our Board embodies a range of viewpoints, backgrounds and expertise because our Board believes that diversity is an important attribute of a well-functioning Board.

The Board conducts its oversight responsibilities through four standing committees: Audit, Corporate Governance and Policy, Finance and Human Resources. Each committee has a written charter that defines its specific responsibilities. The committees are discussed beginning on page 7.

The Corporate Governance and Policy Committee ensures that the membership, structure, policies and practices of our Board and its committees promote the effective exercise of the Board s role in the governance of Verizon. In addition, our Corporate Governance Guidelines provide a framework for the Board s operation and address key governance practices. The Corporate Governance and Policy Committee monitors developments in corporate governance, considers the views of Verizon s shareholders, and periodically recommends changes to the Board s policies and practices, including the Guidelines.

Where to find more information on governance at Verizon

You can find Verizon s Corporate Governance Guidelines, Code of Conduct and other corporate governance materials, including Verizon s certificate of incorporation, bylaws, committee charters and policies, on the Corporate Governance section of our website at **www.verizon.com/about/investors/**. You can request copies of these materials from the Assistant Corporate Secretary at the address given under Contacting Verizon.

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Key corporate governance features

Shareholder rights

Majority voting in Director elections	Verizon s bylaws provide for the election of Directors by a majority of the votes cast in an uncontested election. This provision can only be changed by a majority vote of the shareholders.
Shareholder right to call a special meeting	Any shareholder owning at least 10% (or any group of shareholders owning at least 25%) of Verizon s outstanding common stock may call a special meeting of shareholders. Please see our bylaws for requirements relating to special meetings.
Proxy access right	Any shareholder (or any group of up to 20 shareholders) owning at least 3% of Verizon s outstanding common stock for at least three years may include a specified number of director nominees in our proxy materials for the annual meeting of shareholders. Our bylaws specify qualifying stock ownership, the number of permitted nominees, and other requirements relating to proxy access.
Shareholders must approve poison pill	Verizon does not have a shareholder rights plan, commonly referred to as a poison pill. Any shareholder rights plan adopted by our Board must be approved by shareholders within one year and then re-approved every three years.
Shareholder right to ratify executive severance agreements	Shareholders must ratify any employment or severance agreement with an executive officer that provides for severance benefits exceeding 2.99 times the sum of the executive s base salary plus non-equity incentive plan payment. This policy is described on page 46.

Board governance

Director independence	All of our non-employee Directors are independent, and the standards that our Board uses to assess independence are more stringent than those of the New York Stock Exchange (NYSE) or The NASDAQ Stock Market (Nasdaq). For more information about the independence of the non-employee Directors, see Independence on page 4.
Board leadership	Currently, the Chief Executive Officer (CEO) serves as Chairman of the Board, in consultation with the Lead Director. You can read about the respective roles and responsibilities of the Chairman and the Lead Director, and why our Board believes Verizon s shareholders are best served by this leadership structure, under Board Leadership on page 5.
Limits on board service updated from 2015	To ensure that Directors have sufficient time to devote to their responsibilities on Verizon s board, we recently enhanced our policy about other directorships. Directors with full-time roles for for-profit businesses may not serve on more than three public company boards, and other Directors may not serve on more than four public company boards. Members of our Audit Committee may not serve on more than two other audit committees.
Stock ownership	Within three years of their election, Directors must hold Verizon stock with a value equal to three times the cash component of the annual Board retainer. Shares held in any deferral plan are included when calculating the number of shares held.
Director retirement	Directors must retire from the Board the day before the annual meeting of shareholders that follows their 72nd birthday. The size of the Board will be reduced by one for each such retirement.

Business conduct and ethics

We are committed to operating with the highest level of integrity, responsibility and accountability. To that end, we have adopted a Code of Conduct that applies to all employees, including the CEO, the Chief Financial Officer and the Controller. The Code of Conduct describes each employee s responsibility to conduct business with the highest ethical standards and provides guidance about preventing, reporting and remediating potential compliance violations in key areas. Directors are expected to act in the spirit of the Code of Conduct, and to comply with the specific ethical provisions of the Corporate Governance Guidelines. Our Board is strongly predisposed not to waive any of the business conduct and ethics provisions applicable to Directors or executive officers. In the event of a waiver, we will promptly disclose the Board s action on our website.

Related person transactions

The Board has adopted the Related Person Transaction Policy that is included in the Guidelines. The Corporate Governance and Policy Committee reviews transactions between Verizon and any of our Directors or executive officers or members of their immediate families to determine if any participants have a material interest in the transaction. Based on the facts and circumstances of each case, the Committee may approve, disapprove, ratify or cancel the transaction or recommend another course of action. Any Committee members who are involved in a transaction under review do not participate in the Committee s deliberations.

From time to time Verizon has employees who are related to our executive officers or Directors. Lowell McAdam, Chairman and CEO, has a child who is employed by a Verizon subsidiary and earned approximately $131,804 in 2015. Francis Shammo, Executive Vice President and Chief Financial Officer, has an in-law who is employed by a Verizon subsidiary and earned approximately $384,084 in 2015. John Stratton, Executive Vice President and President of Operations, has a child who is employed by a Verizon subsidiary and earned approximately $179,828 in 2015, and an in-law who is employed by a Verizon subsidiary and earned approximately $182,576 in 2015. In each case, the amount of compensation earned was comparable to that of other employees in similar positions. These employees also participate in Verizon s welfare and benefit plans that are made available to all employees.

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Our Board of Directors

This section describes key aspects of our Board s composition, governance and operation that contribute to its ability to effectively oversee Verizon s business, provide quality advice to the leadership team and act in the long-term best interests of shareholders.

Independence

Verizon s Corporate Governance Guidelines establish standards for evaluating Director independence and require that a substantial majority of the Directors be independent. The Board determines the independence of each Director under NYSE and Nasdaq governance standards as well as the more stringent standards included in the Guidelines. These standards identify the types of relationships that, if material, could impair independence, and fix monetary thresholds at which the relationships are considered to be material. The Guidelines are available on the Corporate Governance section of our website at **www.verizon.com/about/investors/**. The Corporate Governance and Policy Committee conducts an annual review of any relevant business relationships that each Director may have with Verizon and reports its findings to the full Board. Based on the Committee s recommendation, the Board has determined that all of the incumbent non-employee Directors who are standing for election are independent: Shellye Archambeau, Mark Bertolini, Richard Carrión, Melanie Healey, M. Frances Keeth, Karl-Ludwig Kley, Donald Nicolaisen, Clarence Otis, Jr., Rodney Slater, Kathryn Tesija, Gregory Wasson and Gregory Weaver. The Board also determined that Robert Lane, who served as a Director until May 7, 2015, was independent.

The employers of Ms. Archambeau, Mr. Bertolini, Mr. Carrión, Ms. Healey, Dr. Kley, Mr. Slater and Ms. Tesija all made payments to Verizon for telecommunications services and solutions. In addition, Verizon made payments to Mr. Bertolini s employer under an administrative services contract for employee healthcare benefits. Verizon also made payments to Ms. Tesija s employer in connection with sales of Verizon s products and services at that company s stores, and received payments from that company for cyber security services. Applying the independence standards, the Board considered all of the foregoing payments and determined that these general business transactions and relationships are not material and did not impair the ability of the applicable Directors to act independently.

Board leadership

Each year, our Board evaluates whether its leadership structure is appropriate to effectively address the specific needs of our business and the long-term interests of our shareholders. Given the dynamic and competitive environment in which Verizon operates, the Board believes that Verizon and our shareholders are best served by a Chairman who has broad and deep knowledge of Verizon s business operations and the competitive landscape, the ability to identify strategic issues and the vision to create sustainable long-term value for shareholders. Based on these considerations, the Board has determined that, at this time, our CEO, Lowell McAdam, is the Director best qualified to serve in the role of Chairman.

To maintain an appropriate level of independent checks and balances in its governance, and consistent with the Corporate Governance Guidelines, the independent members of the Board have elected an independent Lead Director who has the authority to call Board meetings and executive sessions. M. Frances Keeth currently serves as Lead Director.

Any shareholder or interested party may communicate directly with the Lead Director.

Importantly, all Directors play an active role in overseeing Verizon s business at both the Board and committee level. Every Director may review

Additional Lead Director responsibilities

Chairs executive sessions, including those held to evaluate the CEO s performance and compensation

Chairs any meeting of the Board if the Chairman is not present

Approves the schedule, agenda and materials for all Board meetings, in consultation with the Chairman

Acts as principal liaison with the Chairman

Leads the Board s annual self-evaluation

the agenda for each Board and committee meeting in advance and can request changes. In addition, all Directors have unrestricted access to the Chairman and senior leadership team at all times.

The Board believes that shareholders are best served by the Board s current leadership structure because it features an independent Lead Director who provides the ability to maintain independent and objective oversight and who can express the Board s positions in a forthright manner as well as independent Directors who are fully involved in the Board s operations and decision making.

Board meetings and executive sessions

In 2015, our Board of Directors held 10 meetings, including 7 regularly scheduled meetings and 3 special meetings. No Director standing for election attended fewer than 75% percent of the total number of meetings of our Board and the committees to which the Director was assigned.

Directors standing for re-election are expected to attend the annual meeting of shareholders. In 2015, all Directors standing for re-election attended the annual meeting.

The Corporate Governance Guidelines require the independent Directors to meet in executive session without any members of management present at least twice a year to review and evaluate the performance of the Board and to evaluate the performance and approve the compensation of the CEO. In practice, our Board typically meets in executive session during each regular Board meeting.

Annual board and committee evaluations

Our Board conducts an annual self-assessment aimed at enhancing its effectiveness. As part of the assessment, each Director completes a written questionnaire that is designed to gather suggestions for improving Board effectiveness and to solicit feedback on a range of issues, including Board operations, Board and committee structure and dynamics, the flow of information from management, and agenda topics. In addition, the Lead Director conducts individual interviews with each of the independent Directors to discuss these topics. The feedback received from the questionnaires and interviews is discussed during an evaluation session.

Each of the four standing committees also conducts its own annual self-assessment, which includes a written questionnaire and evaluation session. These evaluation sessions are led by the committee chairs and generally include a review of the committee charter, the annual agenda, and the committee s overall effectiveness.

In addition to these annual self-assessments, the Board evaluates and modifies its oversight of Verizon s operations on an ongoing basis. During their executive sessions, the independent Directors consider agenda topics that they believe deserve additional focus and topics to be addressed in future meetings.

The Corporate Governance and Policy Committee annually appraises the framework for our Board and committee evaluation processes.

The self-assessment in action

In 2014, as the competitive landscape of Verizon s industry continued its rapid pace of change, our Board expressed a desire to gain a deeper understanding of this landscape as well as the technology behind Verizon s products and services in order to more effectively carry out its oversight responsibilities with regard to Verizon s strategic direction. In response, management enhanced its Director education program to include deep dives on current topics of interest and technology training.

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Committees of the Board

Our Board of Directors has established four standing committees: the Audit Committee, the Corporate Governance and Policy Committee, the Finance Committee and the Human Resources Committee. Each committee has a written charter that defines its specific responsibilities. The chair of each committee approves the agenda and materials for each meeting. Each committee has the authority to retain independent advisors to assist it in carrying out its responsibilities.

Audit Committee

Meetings in 2015

11

Members

Donald Nicolaisen (Chair)

Shellye Archambeau

M. Frances Keeth

Clarence Otis, Jr.

Kathryn Tesija*

Gregory Wasson

*Ms. Tesija joined the Audit Committee on June 4, 2015

Our Board has determined that each of

Key responsibilities:

Assess Verizon s significant business risk exposures (including those related to data privacy, bribery and corruption, and network security) and oversee the risk management program

Assess the adequacy of Verizon s overall control environment

Oversee financial reporting and disclosure matters

Appoint, approve fees for, and oversee work of the independent registered public accounting firm

Oversee Verizon s internal audit function

Assess Verizon s compliance processes and programs

Mr. Nicolaisen, Ms. Archambeau, Ms. Keeth, Mr. Otis and Mr. Wasson is an audit committee financial expert, and that each member of the Audit Committee meets the independence requirements of applicable law, the NYSE, Nasdaq and Verizon s Corporate Governance Guidelines.

The Audit Committee Report is included on page 24

Review the Chief Compliance Officer s annual compliance and ethics report regarding anti-corruption compliance, compliance with significant regulatory obligations, export controls, and data protection

Assess policies and procedures for executive officer expense accounts and perquisites, including the use of corporate assets

Assess procedures for handling complaints relating to accounting, internal accounting controls or auditing matters

Corporate Governance and Policy Committee

Key responsibilities:

Meetings in 2015

7

- Evaluate the structure and practices of our Board and its committees, including size, composition, independence and operations

Members

M. Frances Keeth (Chair)

Shellye Archambeau

Richard Carrión

Donald Nicolaisen

Rodney Slater

Kathryn Tesija

- Recommend changes to our Board s policies or practices or the Corporate Governance Guidelines
- Identify and evaluate the qualifications of Director candidates
- Recommend Directors to serve as members of each committee and as committee chairs
- Review potential related person transactions
- Review Verizon s position and engagement on important public policy issues that may affect our business and reputation, including political contributions and corporate social responsibility

Our Board has determined that each member of the Corporate Governance and Policy Committee meets the independence requirements of applicable law, the NYSE, Nasdaq and Verizon s Corporate Governance Guidelines.

Finance Committee

Meetings in 2015

6

Members

Richard Carrión (Chair)

Mark Bertolini*

Melanie Healey*

M. Frances Keeth

Clarence Otis, Jr.

*Ms. Healey joined the Finance Committee on June 4, 2015, and Mr. Bertolini joined the Finance Committee on December 3, 2015.

Our Board has determined that each member of the Finance Committee meets the independence requirements of applicable law, the NYSE, Nasdaq and Verizon s Corporate Governance Guidelines.

Key responsibilities:

Monitor Verizon s capital needs and financing arrangements and ability to access the capital markets

Monitor expenditures under the annual capital plan approved by our Board

Review and approve Verizon s derivatives policy and monitor the use of derivatives

Review Verizon s insurance and self-insurance programs

Oversee the investment of pension assets and the funding of pension and other postretirement benefit obligations

Human Resources Committee

Meetings in 2015

7

Members

Clarence Otis, Jr. (Chair)

Richard Carrión

Melanie Healey

Rodney Slater*

Gregory Wasson

*Mr. Slater joined the Human Resources Committee on June 4, 2015.

Our Board has determined that each member of the Human Resources Committee meets the independence requirements of applicable law, the NYSE, Nasdaq and Verizon s Corporate Governance Guidelines.

The Compensation Committee Report is included on page 26.

Key responsibilities:

- Oversee the development of Verizon s executive compensation programs and policies
- Approve corporate goals relevant to the CEO s compensation
- Evaluate the CEO s performance and recommend his compensation to the Board
- Review and approve compensation and benefits for selected senior managers
- Review the impact of Verizon s executive compensation policies and practices, and the performance metrics underlying the compensation programs, on Verizon s risk profile
- Consult with the CEO on talent development
- Oversee succession planning and assignments to key leadership positions
- Review and recommend non-employee Director compensation

Nomination of candidates for Director

The Corporate Governance and Policy Committee considers and recommends candidates for our Board. The Committee reviews all nominations submitted to Verizon, including individuals recommended by shareholders, Directors or members of management. The Committee retained Heidrick & Struggles International, Inc. to help identify and evaluate other potential candidates. Any shareholder who wishes to submit a Director candidate to the Committee for its consideration should write to the Corporate Secretary at the address given under Contacting Verizon. A recommendation for a Director candidate should include the candidate s name, biographical data and a description of his or her qualifications in light of the requirements described below. We will report any material change to the Committee s procedure for consideration and nomination of candidates in a filing with the SEC and will post the information on the Corporate Governance section of our website at **www.verizon.com/about/investors/**.

Requirements for Board candidates

To be eligible for consideration, any proposed candidate must:

- Be ethical
- Have proven judgment and competence
- Have professional skills and experience in dealing with a large, complex organization or in dealing with complex problems that complement the background and experience already represented on our Board and that meet Verizon s needs
- Have demonstrated the ability to act independently and be willing to represent the interests of all shareholders and not just those of a particular philosophy or constituency
- Be willing and able to devote sufficient time to fulfill responsibilities to Verizon and our shareholders

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The Committee recognizes that a diverse set of viewpoints and practical experiences enhances the effectiveness of our Board. In evaluating candidates, the Committee considers how a candidate s particular background, experience, qualifications, attributes and skills may complement, supplement or duplicate those of other prospective candidates.

The Committee specifically reviews the qualifications of each candidate for election or re-election. For incumbent Directors, this review includes the Director s understanding of Verizon s businesses and the environment within which Verizon operates, attendance and participation at meetings, and independence. After the Committee completes its evaluation of all candidates, it presents its recommendation to the Board. The Committee also discusses with the Board any candidates who were submitted to and considered by the Committee but not recommended for election or re-election.

Prior to nomination, each candidate for election and each incumbent Director standing for re-election must consent to stand for election or re-election and provide certain representations required under Verizon s bylaws. Each candidate who is standing for re-election must also submit an irrevocable resignation, which will only become effective if (i) our Board or any Committee determines that any of the foregoing representations were untrue in any respect or (ii) the candidate does not receive a majority of the votes cast at the annual meeting of shareholders and the independent members of our Board decide to accept the resignation. Any decision regarding accepting a resignation following a failure to obtain a majority of the votes cast will be disclosed within 90 days after the election results are certified.

Shareholders wishing to nominate a Director should follow the procedures set forth in Verizon s bylaws and described on page 83.

Risk oversight

Role of the Board

While senior management has primary responsibility for managing risk, our Board of Directors is responsible for risk oversight. The Board works with senior management to develop a comprehensive view of Verizon s key short- and long-term business risks. Verizon has a formalized business risk management reporting process that is designed to provide visibility to the Board about critical risks and risk mitigation strategies.

The Board of Directors oversees the management of risks inherent in the operation of Verizon s businesses and the implementation of its strategic plan by using several different levels of review. The Board addresses the primary risks associated with Verizon s business units and corporate functions in its operations reviews of those units and functions. In addition, the Board reviews the risks associated with Verizon s strategic plan at an annual strategic planning session and periodically throughout the year.

Role of the committees

Each of our Board committees oversees the management of risks that fall within that committee s areas of responsibility. In performing this function, each committee has full access to management and may engage advisors.

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Audit Committee	Oversees the operations of Verizon s enterprise risk management program, which identifies the primary risks to Verizon s business. Periodically monitors and evaluates the primary risks associated with particular business units and functions. Works with Verizon s Senior Vice President of Internal Auditing, who helps identify, evaluate and implement risk management controls and methodologies to address identified risks and who functionally reports directly to the Committee. Meets privately at each Audit Committee meeting with representatives from the independent registered public accounting firm, the Senior Vice President of Internal Auditing, and the Executive Vice President of Public Policy and General Counsel. Reports to the full Board on these activities.
Corporate Governance and Policy Committee	Reviews business and reputational risks relating to Verizon s position and engagement on important public policy issues, including political contributions and corporate social responsibility.
Finance Committee	Assists our Board in its oversight of financial risk management. Monitors Verizon s capital needs and financing plans and oversees the strategy for managing risk related to currency and interest rate exposure. Reviews and approves Verizon s derivatives policy and monitors the use of derivatives. Reviews Verizon s insurance and self-insurance programs, as well as pension and other postretirement benefit obligations.
Human Resources Committee	Considers the impact of the executive compensation program and of the incentives created by the compensation awards on Verizon s risk profile. Oversees management s annual assessment of compensation risk arising from Verizon s compensation policies and practices, which includes a review of the following compensation policies and practices and other internal controls that reduce risk: Design features and characteristics of our company-wide compensation programs;

Performance metrics under the Short- and Long-Term Incentive Plans;

Approval processes for all compensation programs, including those for associate sales and non-sales employees;

Governance oversight at the Board and committee level; and

Code of Conduct provisions and mandatory training programs that lessen risk.

Based on management s review, Verizon has concluded that our compensation policies and procedures are not reasonably likely to have a material adverse effect on Verizon because they are appropriately structured and discourage employees from taking excessive risks.

Succession planning and management development

Verizon s Board of Directors recognizes that one of its most important duties is to ensure senior leadership continuity by overseeing the development of executive talent and planning for the efficient succession of the CEO. Our Board has delegated primary oversight responsibility for succession planning to the Human Resources Committee, which oversees assignments to key leadership positions. The Committee reports on its activities to the full Board, which addresses succession planning during executive sessions that typically occur in connection with each regularly scheduled meeting.

To ensure that the succession planning and management development process supports and enhances Verizon s strategic objectives, the Board and Human Resources Committee regularly consult with the CEO on Verizon s organizational needs and competitive challenges, the potential of key managers, and plans for future developments and emergency situations. As part of this process, the Board and the Committee also routinely seek input from the Chief Administrative Officer, as well as advice on related compensation issues from the Committee s independent compensation consultant.

Our Board generally conducts an in-depth review of senior leader development and succession planning at least once a year. Led by the CEO and the Chief Administrative Officer, this review addresses Verizon s management development initiatives, assesses senior management resources, and identifies individuals who should be considered as potential future senior executives.

Our goal is to develop well-rounded and experienced senior leaders. High potential executives are challenged regularly with additional responsibilities, new positions, promotions or similar assignments to expose them to our diverse operations. These individuals are often positioned to interact more frequently with the Board, both in full Board meetings and in less formal settings and small groups, so the Directors can get to know and assess them.

Communicating with Directors

Our Board of Directors believes that communication with shareholders and other interested parties is an important part of the governance process, and has adopted the following procedure to facilitate this communication.

How to contact the Board

Any shareholder or interested party may communicate directly with our Board, any committee of our Board, any individual Director (including committee chairs and the Lead Director) or the non-employee Directors as a group, by writing to:

Verizon Communications Inc.

Board of Directors

(or committee name, individual Director,

committee chair, Lead Director or

non-employee Directors as a group, as appropriate)

1095 Avenue of the Americas

New York, New York 10036

Verizon s Corporate Secretary reviews all correspondence addressed to our Directors and periodically provides the Board with copies of all communications that deal with the functions of our Board or its committees, or that otherwise require Board attention. Typically the Corporate Secretary will not forward communications that are of a personal nature or are unrelated to the duties and responsibilities of our Board, including business solicitations or advertisements, mass mailings, job-related inquiries, or other unsuitable communications. Communications involving substantive accounting or auditing matters are forwarded to the Chair of the Audit Committee.

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Election of Directors

Item 1 on Proxy Card

Verizon s Directors are elected annually. We believe annual elections are consistent with good corporate governance because they foster director accountability and increase shareholder confidence. Verizon s Board currently has 13 members. The Board periodically evaluates whether a larger or smaller board would be preferable, depending upon its needs and the availability of qualified candidates.

Our Board has nominated the 13 candidates below for election as Directors. All of these candidates currently serve as Directors of Verizon. Mr. Weaver was appointed to our Board in September 2015 as an independent Director and was recommended by an independent Director. Dr. Kley was appointed to our Board in November 2015 as an independent Director and was recommended by an independent Director. The Corporate Governance and Policy Committee and our Board concluded that each of the incumbent Directors should be nominated for re-election based on the experience, qualifications, attributes and skills identified below. The Committee and the Board assessed these factors in light of Verizon s businesses.

Each candidate has consented to stand for election, and we do not anticipate that any candidate will be unavailable to serve. If any candidate were to become unavailable before the election, the proxy committee would vote the shares it represents for a substitute named by the Board.

Verizon s bylaws require Directors to be elected by a majority of the votes cast in an uncontested election. Each candidate has submitted an irrevocable, conditional letter of resignation that our Board will consider if that candidate fails to receive a majority of the votes cast.

Our Board of Directors recommends that you

vote for each of the following candidates.

Shellye L. Archambeau

Director since 2013

Age 53

Independent

Committees

Audit

Corporate Governance and Policy

Background

Ms. Archambeau is Chief Executive Officer of MetricStream, Inc., a leading provider of governance, risk, compliance and quality management solutions to corporations across diverse industries. Prior to joining MetricStream in 2002, Ms. Archambeau served as Chief Marketing Officer and Executive Vice President of Sales for Loudcloud, Inc., Chief Marketing Officer of NorthPoint Communications, and President of Blockbuster Inc. s e-commerce division. Before she joined Blockbuster, she held domestic and international executive positions during a 15-year career at IBM. Ms. Archambeau has served on the board of Nordstrom, Inc. since February 2015 and, in the past five years, she has served on the board of Arbitron, Inc.

Qualifications

Ms. Archambeau provides our Board with valuable knowledge of technology, e-commerce, digital media and communications platforms. Her experiences in the Silicon Valley emerging company community, as well as her prior experience at IBM, provide her with global perspectives on developing and marketing emerging technology applications and solutions.

Mark T. Bertolini

Director since 2015

Age 59

Background

Mr. Bertolini is Chairman and Chief Executive Officer of Aetna Inc., a Fortune 100 diversified healthcare benefits company. Prior to assuming the role of Aetna s CEO in 2010 and Chairman in 2011, Mr. Bertolini served as President from 2007, responsible

Independent

Committees

Finance

for all of Aetna s businesses and operations across the company s range of healthcare products and related services, and as Executive Vice President and head of Aetna s regional businesses prior to that. He joined Aetna in 2003 as head of Aetna s Specialty Products after holding executive positions at Cigna, NYLCare Health Plans and SelectCare, Inc.

Qualifications

Mr. Bertolini s experience at a large, multinational corporation provides our Board with valuable operational and management expertise, as well as critical perspective on strategic planning. His role as Chairman and CEO of Aetna provides our Board with additional insights into the healthcare industry an area of increasing importance to Verizon s business strategy.

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Richard L. Carrión

Director since 1997

Age 63

Independent

Committees

Corporate Governance and Policy

Finance (Chair)

Human Resources

Background

Mr. Carrión has served for over 20 years as Chairman and Chief Executive Officer of Popular, Inc., a diversified bank holding company. Mr. Carrión has served as a class A director of the Federal Reserve Bank of New York since 2008. He also served as a director of NYNEX Corporation, one of Verizon s predecessor companies, from 1995 to 1997.

Qualifications

Mr. Carrión provides our Board with financial, operational and strategic expertise developed during his long tenure as Chairman and CEO of Popular, Inc. This experience, combined with his board service at the Federal Reserve Bank of New York, also provides our Board with deep risk management expertise.

Melanie L. Healey

Director since 2011

Age 54

Background

Ms. Healey is the former Group President of The Procter & Gamble Company, one of the leading providers of branded consumer packaged goods. She served in this role from 2007 to 2015. During her tenure at Procter & Gamble beginning in 1990, Ms.

Independent

Committees

Finance

Human Resources

Healey held a number of positions of responsibility, including Group President and advisor to the Chairman and CEO, Group President for North America and Group President for the Global Feminine and Health Care Sector. Ms. Healey has served on the Board of Target Corporation since November 2015.

Qualifications

Ms. Healey provides our Board with valuable strategic, branding, distribution and operating experience on a global scale obtained over her 32-year career in the consumer goods industry in three multinational companies (Procter & Gamble, Johnson & Johnson and S.C. Johnson & Sons). Her deep experience in marketing and operations, including her 18 years outside the United States, provides our Board with strategic and operational leadership and critical insights into brand building and consumer marketing trends globally.

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M. Frances Keeth (Lead Director)

Director since 2006

Age 69

Independent

Committees

Audit

Corporate Governance and Policy (Chair)

Finance

Background

Ms. Keeth was Executive Vice President of Royal Dutch Shell plc, a global energy company, from 2005 to 2006, and was President and Chief Executive Officer of Shell Chemicals LP from 2001 to 2006. During her long tenure at Royal Dutch Shell, Ms. Keeth served in a number of other positions of responsibility, including Executive Vice President, Finance and Business Systems, and Executive Vice President, Customer Fulfillment and Product Business Units. Prior to these positions, Ms. Keeth was controller and principal accounting officer of Mobil Corporation. Ms. Keeth has served as a director of Arrow Electronics, Inc. since 2004 and, in the past five years, she has served as a director of Peabody Energy Corporation.

Qualifications

Ms. Keeth s career with Shell has provided her with substantial experience in managing worldwide operations and strategic partnerships in a capital-intensive business. Her expertise provides our Board with critical skills in the areas of financial oversight, aligning financial and strategic initiatives, and risk management.

Karl-Ludwig Kley

Director since 2015

Age 64

Independent

Background

Dr. Kley is Chairman of the Executive Board and Chief Executive Officer of Merck KGaA, a leading producer of high-tech products in healthcare, life science and performance materials. He has served in his current role since 2007, and was appointed Vice Chairman of the Executive Board in September 2006. Before joining Merck

KGaA, Dr. Kley was a member of the Executive Board of Deutsche Lufthansa AG from 1998 to 2006, where he served as Chief Financial Officer. From 1982 to 1998, Dr. Kley worked for Bayer AG in a variety of positions, including as head of corporate finance and investor relations. Dr. Kley has served as a member of the supervisory board of BMW AG since 2008 and as vice chairman since 2010. He has also served as a member of the supervisory board of Deutsche Lufthansa AG since 2014.

Qualifications

Dr. Kley brings to our Board significant leadership experience as CEO of an innovative, global operation that is navigating a highly competitive, complex and rapidly changing ecosystem. His extensive expertise in corporate finance acquired during his tenure as CEO, Vice Chairman and Chief Financial Officer of similarly complex organizations, combined with his director roles on the boards of other public companies, provides our Board with a unique global perspective and critical capabilities in strategic oversight and corporate governance.

Lowell C. McAdam (Chairman)

Director since 2011

Age 61

Chairman since 2012

Background

Mr. McAdam is Chairman and Chief Executive Officer of Verizon Communications Inc. Mr. McAdam has served as CEO since 2011 and Chairman since 2012. Prior to becoming CEO, Mr. McAdam served in numerous positions of responsibility, including President and Chief Operating Officer of Verizon Communications Inc., President and CEO of Verizon Wireless, and Executive Vice President and Chief Operating Officer of Verizon Wireless. Before Verizon Wireless was formed, Mr. McAdam held executive positions with PrimeCo Personal Communications, AirTouch Communications and Pacific Bell. In the past five years, Mr. McAdam has served as a member of the Verizon Wireless Board of Representatives.

Qualifications

Mr. McAdam provides our Board with substantial and wide-ranging expertise in the telecommunications industry, developed during his pivotal role in the development of Verizon Wireless. As CEO of Verizon Communications Inc., he is able to provide our Board with in-depth knowledge of Verizon s business, industry, challenges and opportunities.

Donald T. Nicolaisen

Director since 2005

Age 71

Background

Mr. Nicolaisen served as Chief Accountant of the United States Securities and Exchange Commission (SEC) from 2003 to 2005. Prior to joining the SEC, he was a senior partner at the accounting firm PricewaterhouseCoopers. Mr. Nicolaisen began

Independent

Committees

Audit (Chair)

Corporate Governance and Policy

his career at the firm s predecessor, Price Waterhouse, in 1967, and held a wide range of management and leadership positions, including serving on the firm s U.S. and global boards and leading Price Waterhouse s national office for accounting and SEC services. Since 2006, Mr. Nicolaisen has served as a director of MGIC Investment Corporation, Morgan Stanley, and Zurich Insurance Group.

Qualifications

Mr. Nicolaisen s long career in leadership positions in both the public and private sectors provides our Board with substantial expertise in the areas of public accounting, risk management and corporate finance. This experience, combined with his director roles on the boards of other large, complex firms, provides our Board with additional capabilities in the areas of public policy and corporate governance.

Clarence Otis, Jr.

Director since 2006

Age 59

Independent

Committees

Audit

Finance

Human Resources (Chair)

Background

Mr. Otis is the former Chairman and Chief Executive Officer of Darden Restaurants, Inc., the largest company-owned and operated full-service restaurant company in the world. He served as CEO of Darden Restaurants from 2004 to 2014 and as Chairman from 2005 to 2014. After joining Darden in 1995 as Vice President and Treasurer, Mr. Otis served in a number of positions of responsibility, including Chief Financial Officer, Executive Vice President, and President of Smokey Bones Barbeque & Grill, a restaurant concept formerly owned and operated by Darden. Mr. Otis has served as a director of VF Corporation since 2004. In the past five years, he also served as a class B director of the Federal Reserve Bank of Atlanta.

Qualifications

Mr. Otis provides our Board with valuable insight into consumer services, retail operations, financial oversight and risk management. His experience over his 20 years at Darden Restaurants provides him with important perspectives on operations, strategy and management of a complex organization and a large-scale workforce.

Rodney E. Slater

Director since 2010

Age 61

Independent

Background

Mr. Slater is a Partner at the law firm Squire Patton Boggs LLP, practicing in the areas of transportation, infrastructure and public policy, a position he has held since 2001. Previously, Mr. Slater served as the U.S. Secretary of Transportation from 1997 to 2001 and as the Administrator of the Federal Highway Administration from 1993 to

1997. Mr. Slater has served as a director of Kansas City Southern since 2001 and Transurban Group since 2009. In the past five years, Mr. Slater has also served as a director of Delta Air Lines, Inc., ICx Technologies, Inc. and Atkins plc.

Committees

Corporate Governance and Policy

Human Resources

Qualifications

Mr. Slater has substantial regulatory and public policy experience at the federal and state levels. Mr. Slater provides our Board with valuable insights on public policy issues and leadership on matters involving multiple stakeholders. He also provides our Board with perspectives on strategic partnerships and legal issues.

Kathryn A. Tesija

Director since 2012

Age 53

Independent

Committees

Audit

Corporate Governance and Policy

Background

Ms. Tesija is Strategic Advisor of Target Corporation, the second largest discount retailer in the United States. Prior to assuming her current role, Ms. Tesija served as Executive Vice President and Chief Merchandising and Supply Chain Officer at Target from 2008 to 2015. Since joining Target in 1986, Ms. Tesija has served in numerous positions of responsibility, including Director, Merchandise Planning and Senior Vice President, Hardlines Merchandising.

Qualifications

Ms. Tesija provides our Board with valuable large-scale global merchandising and supply chain experience, as well as operational perspectives and strategic planning expertise. Her tenure as EVP and Chief Merchandising and Supply Chain Officer provides our Board with additional insights into the retail industry and consumer behavior.

Gregory D. Wasson

Director since 2013

Age 57

Independent

Background

Mr. Wasson is the former President and Chief Executive Officer of Walgreens Boots Alliance, Inc., the first global pharmacy-led health and wellbeing enterprise. From 2009 through 2014 he was Director, President and Chief Executive Officer of Walgreen Co. A registered pharmacist, he joined Walgreen in 1980 and served in a number of positions of responsibility, including President of Walgreens Health Initiatives, Senior Vice President, Executive Vice President, and President and Chief

Committees

Audit

Human Resources

Operating Officer. Mr. Wasson has served on the board of The PNC Financial Services Group, Inc. since July 2015 and, in the past five years, he has served on the boards of Walgreen Co. and AmerisourceBergen Corporation.

Qualifications

Mr. Wasson provides our Board with valuable global operational and management experience, as well as extensive knowledge of the retail and healthcare industries. His tenure as CEO of a large publicly-held company provides our Board with additional in-depth perspective in organizational management.

Gregory G. Weaver

Director since 2015

Age 64

Independent

Background

Mr. Weaver served as Chairman and Chief Executive Officer of Deloitte s audit and enterprise risk services firm, Deloitte & Touche LLP, from 2012 to 2014 and from 2001 to 2005. From 2006 to 2012, he served on the Board of Directors of Deloitte s U.S. organization and on its Governance, Compensation and Succession Committees. During Mr. Weaver s 40 years of experience at Deloitte, including 30 years as a partner, he served as lead client service partner, audit partner and advisory partner for several of Deloitte & Touche s largest clients. Mr. Weaver has served on the board of trustees of the Goldman Sachs Trust since 2015.

Qualifications

Mr. Weaver provides our Board with significant expertise in the areas of public accounting, risk management and related regulatory matters, which he developed over a long career with a leading audit firm. He also brings to the Board valuable experience with the operational and governance issues faced by a large, complex organization like Verizon.

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Ratification of Appointment of

Independent Registered Public Accounting Firm

Item 2 on Proxy Card

The Audit Committee considered the performance and qualifications of Ernst & Young LLP, and has reappointed that independent registered public accounting firm to examine the financial statements of Verizon for fiscal year 2016 and to examine the effectiveness of internal control over financial reporting. Ernst & Young has been retained as Verizon s independent registered public accounting firm since 2000.

Verizon paid the following fees to Ernst & Young for services rendered during fiscal years 2015 and 2014:

	Audit fees	Audit-related fees	Tax fees	All other fees
2015	$ 27.4 million	$ 17.1 million	$ 3.8 million	$ 0.1 million
2014	$ 26.5 million	$ 9.8 million	$ 2.8 million	$ 0.5 million

Audit fees include the financial statement audit, the audit of the effectiveness of Verizon s internal control over financial reporting required by the Sarbanes-Oxley Act, and financial statement audits required by statute for our foreign subsidiaries or by regulatory agencies in the United States. Audit-related fees primarily include audits of other subsidiaries, employee benefit plan audits and reviews of controls over services provided to customers, as well as other audit and due diligence procedures performed in connection with acquisitions or dispositions. Our audit and audit-related fees in 2015 included $7.3 million of fees in connection with strategic transactions that were considered or entered into during 2015. Tax fees primarily consist of federal, state, local and international tax planning and compliance. All other fees primarily consist of support services to certain Verizon expatriate employees. The Audit Committee considered, in consultation with management and the independent registered public accounting firm, whether the provision of these services is compatible with maintaining Ernst & Young s independence.

The Committee is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm that performs audit services. In considering Ernst & Young s appointment for the 2016 fiscal year, the Committee reviewed the firm s qualifications and competencies, including the following factors:

- Ernst & Young s historical performance and its recent performance during its engagement for the 2015 fiscal year;
- Ernst & Young s capability and expertise in handling the breadth and complexity of Verizon s operations;
- the qualifications and experience of key members of the engagement team, including the lead audit partner, for the audit of Verizon s financial statements;

the quality of Ernst & Young s communications with the Committee regarding the conduct of the audit, and with management with respect to issues identified in the audit;

external data on audit quality and performance, including recent Public Company Accounting Oversight Board reports on Ernst & Young;

the appropriateness of Ernst & Young s fees for audit and non-audit services, on both an absolute basis and as compared to its peer firms; and

Ernst & Young s reputation for integrity and competence in the fields of accounting and auditing.

In addition, in order to ensure continuing auditor independence, the Committee periodically considers whether there should be a regular rotation of the independent registered public accounting firm. The Committee ensures that the mandated rotation of Ernst & Young s personnel occurs routinely and is directly involved in the selection of Ernst & Young s lead engagement partner.

The Committee has established policies and procedures regarding pre-approval of services provided by the independent registered public accounting firm and is responsible for the audit fee negotiations associated with the engagement. At the beginning of the fiscal year, the Committee pre-approves the engagement of the independent registered public accounting firm to provide audit services based on fee estimates. The Committee also pre-approves proposed audit-related services, tax services and other permissible services, based on specified project and service details, fee estimates, and aggregate fee limits for each service category. The Committee receives a report at each meeting on the status of services provided or to be provided by the independent registered public accounting firm and approves the related fees.

The affirmative vote of a majority of the shares cast at the annual meeting is required to ratify the reappointment of Ernst & Young for the 2016 fiscal year. The Committee believes the continued retention of Ernst & Young to serve as Verizon s independent registered public accounting firm is in the best interests of Verizon and our shareholders. If this appointment is not ratified by the shareholders, the Committee will reconsider its decision.

One or more representatives of Ernst & Young will be at the 2016 Annual Meeting of Shareholders. They will have an opportunity to make a statement and will be available to respond to appropriate questions.

Our Board of Directors recommends that you vote for ratification.

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Audit Committee Report

In the performance of our oversight responsibilities, the Committee has reviewed and discussed with management and the independent registered public accounting firm Verizon s audited financial statements for the year ended December 31, 2015, and the effectiveness of Verizon s internal controls over financial reporting as of December 31, 2015.

The Committee has discussed with the independent registered public accounting firm the matters required to be discussed by the Securities and Exchange Commission, the New York Stock Exchange, The NASDAQ Stock Market and Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Committee has received written disclosures and a letter from the independent registered public accounting firm consistent with applicable Public Company Accounting Oversight Board requirements for independent registered public accounting firm communications with audit committees concerning independence and has discussed with the independent registered public accounting firm its independence.

The Committee discussed with the internal auditors and the independent registered public accounting firm the overall scope and plans for their respective audits. The Committee met with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of Verizon s internal controls and the overall quality of Verizon s financial reporting.

The Committee has overseen the operation of Verizon s enterprise risk management program, including the identification of the primary risks to Verizon s business. The Committee also periodically monitored and evaluated the primary risks associated with particular business units and functions.

Based on the reviews and discussions referred to above, in reliance on management and the independent registered public accounting firm, and subject to the limitations of our role, the Committee recommended to the Board of Directors, and the Board has approved, the inclusion of the financial statements referred to above in Verizon s Annual Report on Form 10-K for the year ended December 31, 2015.

The Committee reviewed the independent registered public accounting firm s performance, qualifications and tenure, the qualifications of the lead engagement partner, management s recommendation regarding retention of the firm and considerations related to audit firm rotation, as discussed further on page 22. Based on that review, the Committee approved the reappointment of the independent registered public accounting firm for fiscal year 2016.

Respectfully submitted,

The Audit Committee

Donald Nicolaisen, Chair

Shellye Archambeau

M. Frances Keeth

Clarence Otis, Jr.

Kathryn Tesija

Gregory Wasson

March 2, 2016

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Advisory Vote to Approve

Executive Compensation

Item 3 on Proxy Card

Shareholders have strongly supported Verizon s executive compensation program since our first advisory vote on the matter in 2009. We are asking you to vote in favor of the following non-binding resolution:

Resolved, that the shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in Verizon s proxy statement for the 2016 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Compensation Tables and the related narrative discussion.

The structure of the executive compensation program for 2015 that is described in this proxy statement is substantially the same as it was last year. Our Board recommends a vote FOR this resolution because it believes that our program is effective in:

- Encouraging strong short-term and long-term performance;

- Aligning the executives long-term interests with those of our shareholders; and

- Retaining high-performing executives.

In the Compensation Discussion and Analysis and Compensation Tables beginning on page 27, we provide a detailed description of our executive compensation programs, including our philosophy, the elements of our programs and the compensation of our named executive officers. We encourage you to read these sections before deciding how to vote on this proposal.

This advisory resolution, commonly known as a say-on-pay resolution, is not binding on our Board of Directors. Nevertheless, the Board and the Human Resources Committee will review and consider the voting results when evaluating our executive compensation program.

Verizon s Corporate Governance Guidelines provide for an annual say-on-pay advisory vote. The next say-on-pay advisory vote will occur at the 2017 Annual Meeting of Shareholders.

Our Board of Directors recommends

that you vote for this proposal.

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Compensation Committee Report

The Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, the Committee recommended to the Board of Directors, and the Board has approved, the inclusion of the Compensation Discussion and Analysis in this proxy statement and Verizon s Annual Report on Form 10-K.

Respectfully submitted,

The Human Resources Committee

Clarence Otis, Jr., Chair

Richard Carrión

Melanie Healey

Rodney Slater

Gregory Wasson

March 2, 2016

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Compensation Discussion

and Analysis

The Human Resources Committee of the Board of Directors oversees the development and implementation of the compensation program for Verizon s named executive officers. The CEO s compensation is determined by the independent members of the Board after receiving the Committee s recommendation, and references to the Committee in this section with respect to the CEO s compensation reflect that process.

For 2015, Verizon s named executive officers were:

Lowell C. McAdam	Chairman and Chief Executive Officer
Francis J. Shammo	Executive Vice President and Chief Financial Officer
Daniel S. Mead	Executive Vice President and President of Strategic Initiatives
John G. Stratton	Executive Vice President and President of Operations
Marni M. Walden	Executive Vice President and President of Product Innovation and New Businesses

Executive summary

2015 performance results[1]

[1] A reconciliation of non-GAAP measures to the most directly comparable GAAP measures can be found in Appendix A to this proxy statement.

2015 performance payouts: Based on Verizon s financial performance in 2015, the 2015 short-term incentive award was paid at 100% of its targeted level. Based on Verizon s total shareholder return and free cash flow over the past three years, the Performance Stock Units granted in connection with the 2013-2015 long-term incentive award vested at 62% of the targeted level.

2015 base salary increases: Based on an analysis of market data, the Committee approved base salary increases in 2015 of 9.1% for Mr. Shammo, 5.3% for Mr. Mead, 9.4% for Mr. Stratton, and 9.4% for Ms. Walden. Mr. McAdam did not receive a base salary increase in 2015.

Best practices in executive compensation and governance

Our commitment to industry-leading practices for compensation design and governance is reflected in the design of our compensation program. The Human Resources Committee regularly reviews best practices in executive compensation and governance and has revised our policies and practices over time. These practices include:

Compensation practice	Verizon policy	More information
Pay for performance	Approximately 90% of named executive officers total compensation opportunity is variable, incentive-based pay.	P. 34
Robust stock ownership guidelines	We have stock ownership guidelines for the CEO of 7x base salary; for other named executive officers of 4x base salary; and for Directors of 3x the cash component of the annual Board retainer.	P. 45
Shareholder outreach	Our outreach program gives institutional shareholders the opportunity to provide ongoing input on our executive compensation program and policies.	P. 30
Double trigger change in control	Our Long-Term Incentive Plan (Long-Term Plan) requires both a change in control and an involuntary termination for vesting of awards.	P. 45
Clawback policy	Our clawback policy gives us the right to recapture and cancel incentive payments received by executives who engaged in financial misconduct.	P. 46
Annual compensation risk assessment	We perform a risk assessment of our compensation program every year.	P. 11
Independent compensation consultant	An independent compensation consultant reviews and advises the Human Resources Committee on executive compensation. The consultant cannot do any work for the Company while it is engaged by the Committee.	P. 29
Anti-hedging policy	Our anti-hedging policy prohibits Directors, executives and employees who receive equity-based incentive awards from entering into transactions designed to hedge or offset any decrease in the market	P. 46

	value of Verizon stock that they own.	
Single peer group for benchmarking	The same peer group (Related Dow Peers) is used to benchmark executives total compensation opportunity and to evaluate long-term performance, which provides consistency and transparency to our shareholders.	P. 30
Annual shareholder say-on-pay	We value our shareholders input on our executive compensation program, so our Board seeks an annual non-binding advisory vote from shareholders every year to approve the executive compensation disclosed in our CD&A and compensation tables.	P. 25
Tax gross-ups	We do not provide tax gross-ups to our executive officers.	P. 44
Dividends on unearned performance awards	We do not pay dividends on unearned Performance Stock Units (PSUs) or Restricted Stock Units (RSUs).	P. 40
Employment contracts	None of our named executive officers has an employment contract.	P. 45
Guaranteed benefits	We froze defined benefit pension and supplemental retirement benefits beginning in 2006.	P. 44

Roles and responsibilities

Human Resources Committee

The Human Resources Committee of the Board of Directors oversees the development and implementation of the compensation program for Verizon s named executive officers.

Management

The Committee may consult with the Executive Vice President and Chief Administrative Officer about the design, administration and operation of the compensation program. The Committee has delegated administrative responsibility for implementing its decisions on compensation and benefits matters to the Chief Administrative Officer, who reports to the Committee on the actions taken under this delegation.

While the Committee makes an independent determination on all matters related to the compensation of the named executive officers, the Committee seeks the CEO s views on whether the existing compensation policies and practices continue to support Verizon s business and performance objectives, utilize appropriate performance targets, and appropriately reward the contributions of the other named executive officers.

Independent Compensation Consultant

The Committee has the sole authority to retain and terminate a compensation consultant and to approve all terms of the engagement, including fees. The Committee has retained Pearl Meyer as its compensation consultant (Consultant) based on the firm s independence and expertise in representing the compensation committees of large corporations. The Consultant advises the Committee on all matters related to the compensation of our named executive officers. This includes providing benchmarking data and helping the Committee interpret this data, as well as helping the Committee interpret data provided by the Company. The Consultant participates in all Committee meetings. The Committee typically holds an executive session with the Consultant at every Committee meeting.

The Committee has adopted a policy that prohibits the Consultant from doing any work for the Company during its engagement. Neither Pearl Meyer nor its affiliates have performed any work for the Company or any Company affiliate since the Committee retained the Consultant in 2006.

The Committee has considered the independence of Pearl Meyer in light of SEC rules and NYSE and Nasdaq listing standards. At the Committee s request, Pearl Meyer provided a letter addressing its independence, including the following factors:

- No other services provided to the Company by the Consultant;
- Fees paid by the Committee as a percentage of the Consultant s total revenue;

Policies or procedures maintained by the Consultant that are designed to prevent a conflict of interest;

Any business or personal relationships between the individual consultants involved in the engagement and a member of the Committee;

Any Company stock owned by the individual consultants involved in the engagement; and

Any business or personal relationships between our executive officers and the Consultant or the individual consultants involved in the engagement.

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The Committee has concluded that no conflict of interest exists that would prevent Pearl Meyer from serving as an independent consultant to the Committee.

Shareholder feedback on compensation

Our Board, the Committee and our management team value shareholder perspectives on our executive compensation program. As part of the Committee s annual review of the program, it considers the outcome of Verizon s annual shareholder advisory vote on executive compensation the say-on-pay. At our Annual Meeting in May 2015, the compensation of our named executive officers was approved by approximately 93% of votes cast, demonstrating a high level of shareholder support for our compensation program and policies. Management and Directors also engaged with our institutional shareholders in meetings and calls throughout the year. In Verizon s 2015 fall outreach, management, along with the Committee s independent compensation consultant, engaged with our institutional shareholders concerning executive compensation. In these sessions, we discussed Verizon s overall compensation philosophy and program, including the use of relative TSR as a predominant LTI metric, as well as recent SEC compensation disclosure initiatives. Our investors continued to voice support for our overall compensation program, believing it to be well-structured and aligned with performance. Based on this feedback, the results of our 2015 say-on-pay vote, and the history of strong shareholder support in prior say-on-pay votes, the Committee believes there continues to be strong shareholder support for Verizon s executive compensation program.

Peer group selection and the role of benchmarking

The Committee uses the same peer group to benchmark executive pay opportunities and to evaluate Verizon s relative stock performance under the Long-Term Plan. This peer group, which we call the Related Dow Peers, includes the 29 companies (other than Verizon) in the Dow Jones Industrial Average, plus Verizon s five largest industry competitors that are not included in the Dow Jones Industrial Average. This group of companies is appropriate for the dual purpose of benchmarking executive pay opportunities and evaluating relative stock performance under the Long-Term Plan because it is comprised of companies similar to us in market capitalization, net income, revenue and total employees that are included in an established and recognized index, as well as Verizon s five other largest industry competitors. These companies represent Verizon s primary competitors for executive talent and investor dollars. Moreover, this peer group is self-adjusting so that changes in the companies included in the Dow Jones Industrial Average are also reflected in the Related Dow Peers over time. For these reasons, the Committee believes that use of the Related Dow Peers provides a consistent measure of Verizon s performance and makes it easier for shareholders to understand, evaluate and monitor Verizon s compensation program.

The Committee evaluates whether the compensation opportunities for executives are appropriate and competitive by comparing each named executive officer s total compensation opportunity which represents the sum of the executive s base salary and target award amounts under the Short-Term Incentive Plan (Short-Term Plan) and Long-Term Plan to the total compensation opportunities for executives in comparable positions at peer companies. The Committee references the 50^{th} percentile of the Related Dow Peers when making this comparison, although a named executive officer s total compensation opportunity may be higher or lower depending upon the executive s tenure and overall level of responsibility. The Committee believes that the 50^{th} percentile is an appropriate targeted level of total compensation opportunity because of Verizon s size relative to the Related Dow Peers. The total amount of compensation an executive receives may vary from the targeted opportunity based on Verizon s actual annual and long-term performance results.

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Related Dow Peer information

Verizon uses the Related Dow Peers for purposes of benchmarking pay opportunities and evaluating relative stock performance for the PSU grant under the Long-Term Plan. The following chart shows the companies included in the Related Dow Peers, as constituted on March 6, 2015, the date of the 2015 PSU grant. The chart includes each company s market capitalization as of December 31, 2015 as reported by Bloomberg, as well as net income attributable to the company, revenue and total number of employees as of each company s most recent fiscal year-end as reported in SEC filings.

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Related Dow Peer information

Company	Market capitalization ($ millions)	Net income attributable to the company ($ millions)	Revenue ($ millions)	Total employees
3M	92,751	4,833	30,274	89,446
American Express	68,454	5,163	34,441	54,800
AT&T	211,690	13,345	146,801	281,450
Boeing	96,873	5,176	96,114	161,400
Caterpillar	39,569	2,102	47,011	105,700
CenturyLink	13,813	878	17,900	43,000
Chevron	169,308	4,587	122,566	61,500
Cisco Systems	137,841	8,981	49,161	71,833
Coca-Cola	186,832	7,351	44,294	123,200
Comcast	138,023	8,163	74,510	153,000
Du Pont (E.I.)	58,369	1,953	25,130	52,000
Exxon Mobil	324,501	16,150	236,810	73,500
General Electric	293,990	(6,126)	115,159	333,000
Goldman Sachs Group	80,264	6,083	39,208	36,800
Home Depot	167,677	7,009	88,519	385,000
IBM	133,507	13,190	81,741	377,757
Intel	162,570	11,420	55,355	107,300
Johnson & Johnson	284,220	15,409	70,074	127,100
JPMorgan Chase	243,065	24,442	101,006	234,598
McDonald s	108,480	4,529	25,413	420,000
Merck	147,555	4,442	39,498	68,000
Microsoft	443,169	12,193	93,580	118,000
Nike	106,524	3,273	30,601	62,600
Pfizer	199,265	6,960	48,851	97,900
Procter & Gamble	216,041	7,036	76,279	110,000
Sprint Corporation	14,371	(3,345)	34,532	31,000
T-Mobile US	31,923	733	32,053	50,000
Time Warner Cable	52,559	1,844	23,697	56,600

Travelers	34,334	3,439	26,800	30,900
UnitedHealth Group	112,124	5,813	157,107	200,000
United Technologies	85,216	7,608	56,098	197,000
VISA Inc.	170,670	6,328	13,880	11,300
Wal-Mart	196,276	14,694	482,130	2,200,000
Walt Disney	173,716	8,382	52,465	185,000
Verizon	188,063	17,879	131,620	177,700

Compensation objectives and elements of compensation

Compensation objectives

Verizon s executive compensation program supports the creation of shareholder value through four key objectives:

Attract and retain high-performing executives with the leadership abilities and experience necessary in an enterprise with our scale, breadth and complexity to develop and execute our business strategies, drive superior results, meet diverse challenges and build long-term shareholder value;

Pay for superior results and sustainable growth by rewarding the achievement of challenging performance goals;

Drive performance and create shareholder value by emphasizing variable, at-risk compensation with an appropriate balance of short-term and long-term objectives that align executive and shareholder interests; and

Manage risk through oversight and compensation design features and practices that balance short-term and long-term incentives and cap maximum payments.

Our compensation program has two features the Committee believes promotes a performance-based culture that links the interest of management and shareholders. First, the compensation program focuses extensively on variable, performance-based compensation, with fixed compensation in the form of base salary constituting only approximately 10% of each executive s total compensation opportunity. Second, we do not offer guaranteed defined benefit pension or supplemental pension benefits.

In establishing the mix of incentive pay for the named executive officers, the Committee balances the importance of meeting Verizon s short-term business goals with the need to create shareholder value over the longer term. To that end, long-term target compensation opportunities are more than double the annual base salary and short-term incentive target compensation opportunities. Moreover, long-term compensation opportunities reward sustained performance and also encourage high-performing executives to remain with Verizon. Specifically, the long-term incentive program features three-year performance cycles, with awards consisting of PSUs subject to both performance-based and time-based vesting requirements, and RSUs subject to time-based vesting requirements.

Elements of compensation

The Committee determines the appropriate balance between fixed and variable pay elements, short- and long-term pay elements and cash and equity-based pay elements when setting total compensation opportunity at competitive levels.

Pay element	Characteristics	Primary objective
Base salary	Annual fixed cash compensation	Attract and retain high-performing and experienced executives

Short-term incentive opportunity	Annual variable cash compensation based on the achievement of predetermined annual performance measures	Motivate executives to achieve challenging short-term performance targets
Long-term incentive opportunity	Long-term variable equity awards granted annually as a combination of PSUs and RSUs	Align executives interests with those of shareholders, encourage efforts to grow long-term value, and retain executives

The Committee references the 50^{th} percentile of the Related Dow Peers to benchmark the total compensation opportunity of each named executive officer. While the Committee does not benchmark each individual element of compensation, it does review market data with respect to the mix of annual cash and long-term equity components for similarly situated executives among the Related Dow Peers.

Compensation mix

The Committee has determined that a substantial majority of each named executive officer s total compensation opportunity should be variable and performance-based in order to emphasize a performance-based culture. Accordingly, for 2015, the Committee allocated approximately 10% of each executive s total compensation opportunity in the form of base salary, 20% in the form of short-term incentive, and 70% in the form of long-term incentive.

The following chart illustrates the approximate allocation of the named executive officers 2015 total compensation opportunity between variable, performance-based elements and fixed pay:

The named executive officers are also eligible to receive medical, disability and savings plan benefits that are generally provided to all management employees, as well as certain other benefits that are described under Other Elements of the Compensation Program beginning on page 44.

Performance target setting

The Committee takes a holistic approach to establishing performance targets under our incentive plans. Targets are set at the time of the Board s annual strategy session to ensure that the compensation opportunities of our executives under the incentive plans are aligned with achievement of Verizon s short- and long-term strategic goals. In establishing performance targets, the Committee recognizes the importance of achieving an appropriate balance between rewarding executives for strong performance over both the short- and long-term and establishing realistic goals that continue to motivate and retain executives. As a result, our Short-Term and Long-Term Plans provide for measurable, rigorous performance targets that are attainable, but challenge executives to drive business results that produce shareholder value.

In setting the performance targets, the Committee considered the following factors:

Verizon s short- and long-term strategy;

Economic, industry and competitive environments;

The achievement level of performance targets in the prior year;

Financial analysts consensus estimates for the performance measures over future performance cycles;

The correlation among the performance measures and considerations of how Verizon s operational performance will affect each measure differently; and

With regard to the diversity and sustainability metric in the Short-Term Plan, Verizon s values and long-term commitment to being a responsible member of the communities we serve.

In addition, with regard to target setting for TSR performance, the Committee structured the PSU vesting schedule so that each incremental percentage of achievement between the threshold and maximum performance levels results in a corresponding change in the percent of the award that vests. The Committee established this structure to encourage executives to focus on each individual decision and action as having a direct and clearly evident impact on levels of compensation.

2015 annual base salary

To determine an executive s base salary, the Committee, with assistance from the Consultant, considers the pay practices of the Related Dow Peers for comparable positions; the executive s experience, tenure and the scope of the executive s responsibility; and internal pay equity. In particular, the Committee focuses on how base salary levels may impact the market competitiveness of an executive s total compensation opportunity.

Based on its assessment, the Committee approved base salary increases in 2015 of 9.1% for Mr. Shammo, 5.3% for Mr. Mead, 9.4% for Mr. Stratton, and 9.4% for Ms. Walden. These increases were designed to maintain the market competitiveness of each executive s total compensation opportunity, taking into account the breadth and scope of each executive s job responsibilities, and address continuity planning and management development considerations. The Committee determined the adjustments were appropriate for these named executive officers to provide a total compensation opportunity that more closely approximates the 50^{th} percentile for comparable executives within the Related Dow Peers, while maintaining a compensation mix that limits base salary to approximately 10% of the total compensation opportunity. Applying this same methodology, the Committee determined that Mr. McAdam s base salary should not be adjusted in 2015.

2015 short-term incentive compensation

The Verizon Short-Term Plan motivates executives to achieve challenging short-term performance targets. Each year, the Committee establishes the potential value of the opportunities under the Short-Term Plan, as well as the performance targets required to achieve these opportunities.

The Committee sets the values of the Short-Term Plan award opportunities as a percentage of an executive s base salary based on the scope of the executive s responsibilities and on the competitive pay practices of the Related Dow Peers. These award opportunities are established at threshold, target and maximum levels. The Short-Term Plan award opportunities at the threshold, target and maximum levels for each of the named executive officers are shown in the Grants of Plan-Based Awards table on page 49.

The following table shows the 2015 Short-Term Plan target award opportunity for each of the named executive officers:

2015 Short-Term Plan target award opportunity

Named executive officer	As a percentage of base salary	As a dollar value
Mr. McAdam	250%	$4,000,000
Mr. Shammo	150%	$1,350,000
Mr. Mead	150%	$1,500,000
Mr. Stratton	150%	$1,312,500
Ms. Walden	150%	$1,312,500

The executives target award opportunities, expressed as a percentage of their respective base salaries, did not change for 2015. Other than for Mr. McAdam, the dollar value of the target award opportunities increased from 2014 solely as a result of the base salary increases described above. For Mr. McAdam, the dollar value of the 2015 target award opportunity did not change from 2014 because he did not receive a base salary increase in 2015.

Annual performance measures

The extent to which the named executive officers earn short-term incentive awards is based on Verizon s performance with respect to measures established by the Committee. At the beginning of each year, the Committee reviews and establishes the performance measures for the Short-Term Plan and sets targets that are appropriate to motivate executives to achieve challenging financial and operational performance levels that are consistent with Verizon s strategic plan.

In the first quarter of 2015, the Committee reviewed and approved the performance measures for the 2015 Short-Term Plan. Consistent with past practice, the Short-Term Plan award opportunities were based primarily on achieving specific goals under three Company-wide financial and operating performance measures: adjusted earnings per share (EPS), total revenue and free cash flow. These measures were selected to reflect Verizon s strategic goals of encouraging profitable operations, overall growth and efficient use of capital.

The 2015 performance measures, along with the weighting ascribed to each, are shown below as a percentage of the total Short-Term Plan award opportunity at target level performance.

The Committee believes that these performance measures are appropriate to motivate Verizon s executives to achieve outstanding short-term results and, at the same time, help build long-term value for shareholders. The 2015 measures are described in detail below.

Adjusted EPS

50%

Target range: $3.73 to $3.82

The Committee views adjusted EPS as an important indicator of Verizon s success in delivering shareholder value. The Committee assigns the greatest weight to adjusted EPS in determining awards under the Short-Term Plan because this measure is broadly used and recognized by investors as a key indicator of ongoing operational performance and profitability. Adjusted EPS excludes non-operational items, including, among other things, impairments and gains and losses from divestitures, business combinations, changes in accounting principles, the net impact of pension and post-retirement benefit costs, extraordinary items and restructurings. Since adjusted EPS is not impacted from period to period by these types of items, the Committee believes it better reflects the relative success of the ongoing business.

Free cash flow

25%

Target range: $14.1 billion to $15.5 billion

The Committee views consolidated free cash flow as another important indicator of Verizon s success in delivering shareholder value because it measures our ability to generate cash from operations and is often used by investors in their equity valuation models. Free cash flow is calculated by subtracting capital expenditures from cash flow from operations. The Committee believes this measure is meaningful because Verizon s businesses require significant capital investment, and the level of free cash flow reflects how efficiently we are managing capital expenditures. Free cash flow also indicates the amount of cash Verizon has available to return to shareholders in the form of dividends and to reduce its outstanding debt. We consider both of these to be important goals, especially in light of our commitment to returning to the Company s credit rating profile prior to our acquisition of sole ownership of Verizon Wireless in 2014.

Total revenue

20%

Target range: $132.6 billion to $134.0 billion

The Committee views consolidated total revenue as an important indicator of Verizon s growth and success in managing capital investments. This measure also reflects the level of penetration of Verizon s products and services in key markets.

Diversity and sustainability

5%

Targets: Retain percentage of U.S.-based minority and female employees year-over-year; direct at least 9.4% of our overall supplier spending to minority- and female-owned firms; reduce our carbon intensity by at least 3% compared to the prior year

We are committed to promoting diversity among our employees and to recognizing and encouraging the contribution of diverse business partners to our success. We are also committed to reducing the environmental impact of our operations. Our connected solutions empower industries and institutions to transform the way they work by making them more efficient, and creating smarter systems. We have incorporated many of these solutions in our own business to support our goal of cutting Verizon s carbon intensity carbon emissions produced per terabyte of data flowing through our networks in half by 2020. To reflect these important commitments, the diversity target is measured by the number of U.S.-based minority and female employees across the enterprise compared to the prior year and the levels of Verizon s spending with minority- and female-owned or operated suppliers. The sustainability target is measured by reduction in the carbon intensity of our operations compared to the prior year.

The achievement of the Short-Term Plan award opportunity with respect to each performance measure varies depending on the Committee s assessment of Verizon s performance with respect to that measure.

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No awards are paid under the Short-Term Plan if Verizon s return on equity (ROE) for the plan year, based on adjusted net income, does not exceed 8%, even if some or all of the other performance measures are achieved. The Short-Term Plan provides for performance measures to be determined on an adjusted basis to mitigate the impact of certain types of events not contemplated at the time the performance measures were set, such as significant transactions, changes in legal or regulatory policy and other non-operational items.

2015 Short-Term Plan award. After considering the level of performance with respect to each performance measure, and based on an assessment of the level of achievement of each goal individually and collectively, the Committee determines the final Short-Term Plan award as a percentage of the target level for all executives. For 2015, this payout percentage was determined to be 100% of the target level. The following table shows the amount of the Short-Term Plan awards paid to each named executive officer.

Named Executive Officer	Actual 2015 Short-Term Plan award ($)
Mr. McAdam	4,000,000
Mr. Shammo	1,350,000
Mr. Mead	1,500,000
Mr. Stratton	1,312,500
Ms. Walden	1,312,500

Long-term incentive compensation

The Verizon Long-Term Plan is intended to align executives and shareholders interests and reward participants for creating long-term shareholder value. The Committee believes it is important to establish a multi-year performance cycle under the Long-Term Plan in order to meaningfully evaluate the performance of long-term strategies and the effect on value created for shareholders. Based on this consideration, the Committee determined that a three-year performance cycle is appropriate for the Long-Term Plan awards.

Consistent with past practice, Long-Term Plan awards are made in PSUs and RSUs. The value of each PSU or RSU is equal to the value of one share of Verizon common stock. The Committee generally establishes an executive s Long-Term Plan award opportunity as a percentage of base salary and determines the number of PSUs and RSUs to be awarded based on the stock price on the grant date. The Committee assumes each executive will earn 100% of the PSUs and RSUs awarded for purposes of determining the total compensation opportunity. PSUs and RSUs accrue dividend equivalents that are deemed to be reinvested in PSUs and RSUs, respectively. Dividend equivalents are paid only to the extent that PSUs and RSUs are actually earned.

The number of PSUs actually earned and paid is determined based upon Verizon s achievement of pre-established performance targets over the three-year performance cycle, with the ultimate value of each PSU based on the closing price of Verizon s common stock on the last trading day of the final year of the performance cycle. Because the value of PSUs is linked to our stock price, PSUs provide a strong incentive to executives to deliver value to Verizon s shareholders. RSUs vest and are paid based on the executive remaining employed with Verizon through the end of the three-year award cycle, which provides a retention incentive as well as a performance link as the value of the award depends on Verizon s stock price.

Consistent with the four prior award cycles, the 2015 PSUs are payable in cash and the 2015 RSUs are payable in Verizon shares. The Committee believes this mix creates an appropriate balance between the potential shareholder dilution from paying awards in shares and cash flow considerations. In addition, paying the 2015 RSU awards in shares is consistent with Verizon s policy of requiring a significant level of equity ownership by our named executive officers.

2015 Long-Term Plan award opportunities

The Long-Term Plan award is intended to encourage retention among our highly-qualified executive team and drive executives to deliver superior TSR performance and create free cash flow. To that end, consistent with past practice, each of the named executive officers received 60% of their 2015 Long-Term Plan award in the form of PSUs and 40% in the form of RSUs. Two-thirds of the PSUs are eligible

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to vest based on Verizon s relative total shareholder return (TSR), and one-third is eligible to vest based on Verizon s cumulative free cash flow.

In selecting the performance measures for the Long-Term Plan award, the Committee views Verizon s TSR as compared to the TSR of the companies in the Related Dow Peers as a critical indicator of our success as it measures our ability to attract investor dollars and to return value to our shareholders. The Committee also views free cash flow as an important indicator of our success as it measures our ability to generate cash from operations that may be reinvested in our business, used to make acquisitions or returned to shareholders in the form of dividends or through share repurchases.

The Committee generally establishes each executive s Long-Term Plan target award opportunity as a percentage of base salary. The 2015 target award opportunities for each of the named executive officers are shown in the table below. For the named executive officers other than Mr. McAdam, the dollar amount of the target award opportunities increased from 2014 solely as a result of the base salary increases described on page 35; the executives target award opportunities, expressed as a percentage of their respective base salaries, did not change. For Mr. McAdam, the 2015 target award opportunity did not change from 2014 because he did not receive a base salary increase in 2015.

The Committee sets the award levels to provide a total compensation opportunity that approximates the 50th percentile for comparable executives within the Related Dow Peers, while maintaining a compensation mix with each executive s target annual Long-Term Plan award opportunity representing approximately 70% of that executive s compensation opportunity. The target award opportunity for an executive is allocated between PSUs and RSUs as noted above, and the target award opportunity allocated to each type of award is converted into a target number of shares using the closing price of Verizon s common stock on the grant date.

The following table shows the target value of the 2015 Long-Term Plan awards granted to the named executive officers.

2015 Long-Term Plan target award opportunity

Named Executive Officer	As a percentage of base salary	As a dollar value
Mr. McAdam	750%	$12,000,000
Mr. Shammo	525%	$4,725,000
Mr. Mead	525%	$5,250,000
Mr. Stratton	525%	$4,593,750
Ms. Walden	500%	$4,375,000

Terms of 2015 PSU awards

Total Shareholder Return metric. Two-thirds of the PSUs will vest based on relative TSR performance (TSR PSUs). The accompanying chart shows the percentage of the TSR PSUs awarded for the 2015-2017 performance cycle that will vest based on Verizon s relative TSR position compared with the companies in the Related Dow Peers as constituted on the date the award was granted. Verizon s TSR during the performance cycle must rank at least 15th the 50th percentile among the Related Dow Peers for 100% of the target number of TSR PSUs to vest, meaning Verizon must achieve above median TSR PSU performance for target vesting. The maximum number of TSR PSUs (200% of target) will vest only if Verizon s TSR during the three-year performance cycle ranks among the top four companies in the Related Dow Peers the 91st percentile or higher. If Verizon s TSR during the three-year performance cycle ranks below 25th approximately the 20th percentile of the companies in the Related Dow Peers, none of the TSR PSUs will vest.

TSR PSU vesting by performance level

Verizon s TSR rank among Related Dow Peers	Percent of TSR PSUs that vest
1st	200%
2nd	200%
3rd	200%
4th	200%
5th	172%
6th	165%
7th	158%
8th	151%
9th	144%
10th	137%
11th	130%

Free Cash Flow metric. One-third of the PSUs will vest based on Verizon s cumulative free cash flow (FCF PSUs). The percentage of the FCF PSUs awarded for the 2015-2017 performance cycle that will vest is based on the extent to which Verizon s cumulative FCF over the performance cycle meets or exceeds the cumulative FCF performance levels set by the Committee at the beginning of the performance cycle. FCF is calculated by subtracting capital expenditures from cash flow from operations, and is subject to adjustment to eliminate the financial impact of significant transactions, changes in legal or regulatory policy and other extraordinary items.

The cumulative FCF target for the 2015-2017 performance cycle was set at a level that the Committee believes may be challenging in light of the business environment, but attainable. The number of FCF PSUs that will vest ranges from 0% if actual performance is below the threshold level to 200% if actual performance is at or above the maximum cumulative FCF level. The number of FCF PSUs that will vest in between identified performance levels will be determined by linear interpolation between vesting percentage levels.