



**PROMOTORA DE INFORMACIONES, S.A.
(PRISA)**

APPOINTMENTS AND REMUNERATION COMMITTEE

**ANNUAL REPORT
2016**

Madrid, February 2017.

(Free translation from the original in Spanish language)

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I.- INTRODUCTION

The Appointments and Remuneration Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA, the Company or GRUPO PRISA where reference to the consolidated Group is made) issues this report to enable the Board of Directors to make available to shareholders information concerning the Committee's operations and activities during the 2016 financial year.

The Committee is governed by article 529 of the Capital Companies Act (in the wording introduced by Act 31/2014, which amends the Capital Companies Act for the improvement of corporate governance) and by the internal rules of the Company: article 27 of PRISA Bylaws and Board of Directors Regulation.

II.- COMPOSITION

On December 31, 2016, and also at the date of issuance of this report, the composition of the Committee is as follows:

Chairman: Mr. Alain Minc – Independent External Director
Members: Mr. Joseph Oughourlian – External Director (representing significant shareholdings).
Mr. Alfonso Ruiz de Assin – Independent External Director
Mr. Gregorio Marañón y Bertrán de Lis – Other External Director

During the year 2016 the composition of the Committee has been partially renewed:

- Ms. Agnes Noguera Borel and Mr Borja Pérez Arauna ceased to be part of the Board, and consequently also of this Committee, following the restructuring of the Board of Directors which was addressed by the Shareholders' Meeting and by the Board of Directors on April 1, 2016.
- Mr Joseph Oughourlian and Mr Alfonso Ruiz de Assin joined this Committee on April 1, 2016.
- In April 2016, Mr Alain Minc replaced Mr Gregorio Marañón as Chairman of the Committee.

In its composition, the Committee complies with the requirements of applicable law and as provided in the internal rules of the Company: Article 27 of the Bylaws and article 28 of the Regulation of the Board of Directors provide that the Nomination and Compensation Committee be composed of a minimum of three and a maximum of five non-executive directors, at least two (2) of them must be independent Directors and the Chairman shall be an independent director.

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The Committee's secretary is the secretary to the Board of Directors.

III. ACTIVITIES OF THE COMMITTEE IN 2016

The functions of the Appointments and Remuneration Committee are the following, in accordance with the provisions of Article 28 of the Board of Directors Regulation:

- a) Regarding composition of the Board of Directors and the Board Committees of PRISA and the administration bodies of other companies in the Group:
 - i. Evaluating the skills, knowledge and experience required on the Board of Directors. For these purposes, it will define the functions and skills required of candidates that are to fill each vacancy and will evaluate the time and dedication necessary for them to be able to effectively perform their duties.
 - ii. Establishing a goal for representation of women on the Board of Directors, and developing guidance on how to achieve that goal.
 - iii. With a report from the Corporate Governance Committee, making proposals to the Board of Directors of independent Directors to be appointed by co-option or for submission to decision by the General Meeting of shareholders, and proposals for re-election or removal of those Directors by the General Meeting of shareholders.
 - iv. Reporting on proposals for the appointment of other Directors to be designated by co-option or for submission thereof to decision of the General Meeting of shareholders, as well as proposals for re-election or removal by the General Meeting of shareholders, or when there is just cause by reason of the Director's having breached the duties inherent in the position and the bringing of disciplinary proceedings that may mean removal of the Director.
 - v. Reporting, if applicable, on the proposed appointment of the individual representative of a Director that is a legal person.
 - vi. Proposing the classification of Directors in the executive, proprietary, independent or other external Director categories, when appointment of the Directors is to be made or ratified by the General Meeting on proposal of the Board.
 - vii. Reporting, together with the Corporate Governance Committee, on proposals for appointment of the Chairman and Deputy Chairman of the Board, the Chief Executive Officer, the Secretary and Deputy Secretary of the Board, the members of the Delegated Commission and the other Committees of the Board of Directors.
 - viii. Reporting, together with the Corporate Governance Committee, on a proposal for removal of the Secretary and Deputy Secretary of the Board.

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- ix. Reviewing and organising the succession of the Chairman of the Board of Directors and, if applicable, the chief executive of the Company, formulating the proposals to the Board of Directors considered to be appropriate, in order for that succession to occur in an orderly and well-planned manner.
 - x. Reporting on proposals for the appointment of the representatives of the Company on the administration bodies of its subsidiary companies.
- b) Regarding the senior management of the Group:
- i. Proposing the classification of senior management personnel.
 - ii. Reporting on proposals for appointment and removal of senior managers and the basic terms of their contracts.
 - iii. Receiving information and, if necessary, issuing reports on disciplinary action taken against senior managers of the Company.
- c) Regarding the compensation policy:
- i. Proposing to the Board of Directors, for submission to the General Shareholders Meeting, the compensation policy for Directors and general managers or those performing senior management functions under the direct supervision of the Board, Delegated Commissions or Chief Executive Officer, as well as the individual compensation and other contractual conditions of executive Directors, ensuring compliance therewith.
 - ii. Approving the objectives associated with variable compensation of executive Directors and/or the managers.
 - iii. Reporting to the Board on calculation of the variable compensation of the senior managers of the Company, as well as calculation of other incentive plans destined thereto.
 - iv. Ensuring compliance with the compensation policy established by the Company.
- d) Other authority
- i. Annually approving a report on the functioning of the Committee and proposing publication thereof to the Board of Directors, upon the holding of the General Shareholders Meeting.
 - ii. Exercising all other powers assigned to the Committee in the Board of Directors Regulation.

During 2016 the Committee has met on five occasions and provided periodic updates to the Board regarding its deliberations and actions.

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The following are the issues discussed during 2016 in subject areas pertaining to this Committee:

a) Regarding the composition of the Board of Directors and Board Committees of PRISA and management bodies of its subsidiaries:

Director Selection Policy and its representation target for the under-represented gender

The Company has a Director Selection Policy that was approved by the Board of Directors on December 18, 2015, and whose objectives are summarized in the following: i) principle of diversity in the composition of the Board of Directors; ii) purpose of achieving an adequate balance in the Board of Directors as a whole, looking for persons whose appointment would foster diversity of knowledge, experience, origin and gender and iii) objective that for the year 2020 the number of female directors represents at least 30% of the total members of the Board of Directors.

In compliance with recommendation 14 of the Code of Good Governance of the National Securities Market Commission (CNMV) the Committee has verified that during the year 2016 the principles, objectives and procedures established in the Director Selection Policy have been taken into account in relation to proposals for ratification, re-election and / or appointment of directors, and that its findings will be set out in the annual corporate governance report.

In short, these proposals have been based on a preliminary analysis of the needs of the Board and, at the same time, promote diversity of knowledge, experience and gender in its composition.

Composition of the Board of Directors of PRISA

At the Ordinary General Meeting held on 1 April 2016, shareholders voted to restructure the Board of Directors according to the Company's needs and circumstances.

As well as agreeing that the Board would have 17 members, certain directors were re-elected and a number of new appointments made. All the directors are highly qualified, have personal and professional integrity, and have competencies and skills in various fields and sectors of interest to the Company. This enhances the diversity of knowledge, experiences, background and gender of the Board.

The Committee submitted to the Board the following proposals to appoint independent directors, with a report from the Corporate Governance Committee:

- Re- election as directors of Mr. Alain Minc and Mr. Ernesto Zedillo and Mr. Ponce de León at the Shareholders' Meeting of April 2016.
- Appointment as directors of Mr. Glen Moreno, Mrs. Elena Pisonero Ruiz, Mrs. Blanca Hernández Rodríguez and Mr. Alfonso Ruiz de Assin Chico de Guzmán, at the Shareholders' Meeting of April 2016.

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- Appointment by co-optation of the director D. Dominique D'Hinnin, in May 2016.

Likewise, the Committee reported favourably on the following proposals to appoint Directors:

- Ratification of the appointment by co-optation and election of proprietary directors Mr. Khalid Bin Thani Bin Abdullah Al Thani and Mr Joseph Oughourlian (resolutions that were passed at the General Shareholders Meeting in April 2016). These appointments were passed at the Board of Directors meeting of 18 December 2015.
- Re-election of the executive directors Mr Juan Luis Cebrián Echarri and Mr Manuel Polanco Moreno and of the external director Mr Gregorio Marañón y Bertrán de Lis resolutions that were passed at the General Shareholders Meeting in April 2016).
- Appointment by co-optation of the proprietary director Mr Waleed AlSa'di (proprietary director), in May 2016.

Qualitative composition

The Committee has proposed the classification of the directors in various categories: executive director, external director representing significant shareholdings, independent external director, and other external director, on appointing or ratifying the directors.

Further, in light of certain questions raised by the CNMV, the Committee and the Corporate Governance Committee performed a special review and ratified the classification of Alain Minc as an independent director, drawing on the legal opinion of an independent advisor.

Composition of the Committees of PRISA

The Committee has reported, together with the Corporate Governance Committee, on the composition of the Delegated Commission, the Audit Committee and the Committee for Digital Change, on the occasion of the restructuring of the Board and the Committees that was carried out in April 2016.

Subsequently, in July 2016, the Committee reported favourably on the nomination of Mr. Waleed Ahmad Ibrahim AlSa'di as a member of the Audit Committee

Succession Plan for the Board Chairman

The Committee has also helped draw up the Succession Plan for the Chairman and CEO, which was implemented under the leadership of the Coordinating Director.

Composition of the administration bodies of subsidiary companies

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The Committee has reported on the proposed appointments of company representatives on its investees' boards of directors.

b) In connection with the senior management of the Group:

Appointment of managers

The Committee reported the senior management appointment proposals and the basic terms and conditions of their contracts.

c) In relation to the compensation policy

Report on the Compensation Policy and Report on the Annual Compensation

o 2016

The Committee proposed the Report on the Annual Compensation of the Board of Directors for 2016, containing information on the implementation of the remuneration policy in 2015, which was submitted for advisory approval at the Annual Shareholders Meeting held on April 1, 2016, as a separate item of the agenda.

Similarly, for the 2016 Annual Corporate Governance Report, the Committee adopted the section on compensation for the members of senior management

o 2017

The Committee will present to the Board of Directors the report on the compensation of the board for 2017, with information on the implementation of the remuneration policy in 2016. The Committee proposes to the Board of Directors that the Remuneration Policy for directors for 2017 remain the same as was adopted by the General Meeting in 2016, which has been applied in 2015 and 2016.

Individual compensation of executive directors

i. Annual Variable remuneration:

The Committee approved the targets for determining the variable compensation for 2016 of the executive directors.

The qualitative criteria for evaluating the Chairman's and the CEO's performance are no longer considered when calculating his variable remuneration, but are still used for the Deputy Chairman.

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The Committee also approved the settlement of bonus corresponding to year 2015, for the executive directors.

ii. Multi-annual variable remuneration:

The Committee has also analysed the degree of fulfilment of strategic targets when calculating the multi-annual variable remuneration stipulated in the employment contract of the Chairman, Mr. Cebrián, which was payable, since January 2016, in company shares, up to 1 million euros.

Other board remuneration measures

As proposed by this Committee, the Board has approved:

- i. Paying a special six-monthly emolument of 50,000 euros to the non-executive director, Dominique D'Hinnin, for services as advisor to the Chairman and CEO vis-à-vis the Company's Refinancing Plan. This will be received as from January 2017.
- ii. Bringing the remuneration of the chairperson of the Technology Transformation Committee into line with that of the chairpersons of the other board committees, with regard to fixed annual pay and per diems for attending meetings.

Compensation system for managers

The Committee authorized the settlement of the corresponding bonus for the Group's senior executives for 2015.

The Committee also approved the targets associated with the variable compensation for 2016.