



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

NOMINATION AND COMPENSATION COMMITTEE

**ANNUAL REPORT
2013**

Madrid, February 2014.

(Free translation from the original in Spanish language)

NOMINATION AND COMPENSATION COMMITTEE ANNUAL REPORT

2013

I.- INTRODUCTION

The Nomination and Compensation Committee (hereinafter the Committee) is governed by PRISA Bylaws (article 21 quáter) and by articles 25 and related of the Regulation of the Board of Directors and issues this report concerning its performance during the 2013 financial year, in accordance with the provisions of Article 25. 3.d)i., of the Board of Directors Regulation.

The Committee is a successor, on appointments and compensation matters, of the former Corporate Governance, Nomination and Compensation Committee, which was split into two different Committees in June 2011.

II.- COMPOSITION

The composition of the Committee on the date of this Report is as follows:

Chairman: Mr. Gregorio Marañón y Bertrán de Lis – External Independent Director

Members:

Mr. Alain Minc – External Independent Director

Mr. Borja Pérez Arauna- External Director (representing significant shareholdings).

On December 18, 2013 D. Martin Franklin resigned as director of the Company and was replaced as a member of the Committee by the director Mr. Alain Minc.

Article 21 quáter of the Bylaws set forth that the Nominations and Compensation Committee shall be composed exclusively of external directors and likewise provides that its president shall be an independent director, which are, in fact, the cases.

The Committee's secretary is the secretary to the Board of Directors, in accordance with the mentioned rules.

III. ACTIVITIES OF THE COMMITTEE IN 2013

In accordance with the provisions of Article 25 of the Board of Directors Regulation, the Nomination and Compensation Committee has the following competencies:

- a) Regarding the composition of the Board of Directors and Board Committees of PRISA and management bodies of its subsidiaries:
 - i. Report on proposals for appointment, reappointment and removal of directors.
 - ii. Report, together with the Corporate Governance Committee, on proposals for appointment of Chairman and Vice Chairman, Chief Executive Officer, members of the Delegated Committee and other committees of the Board of Directors.
 - iii. Report on the nomination of the Secretary and Deputy Secretary.
 - iv. Review and organize the succession of the chairman and chief executive of the Company and make recommendations to the Board of Directors to facilitate that such succession occurs in an orderly and well planned.
 - v. Report on proposals for appointment of representatives of the Society in the managing bodies of its subsidiaries.
- b) In connection with the senior management of the Group:
 - i. Propose the definition of senior management.
 - ii. Report the appointment and removal of senior management.
 - iii. Approve contracts for senior management.
 - iv. Information and, where appropriate, issue reports on disciplinary action to senior management of the Company.
- c) In relation to the compensation policy:
 - i. Propose to the Board of Directors: i) the Compensation Plan for directors, ii) the amounts and/or compensation limits that apply to directors, based on their dedication to the Board and the Committees thereof, iii) the individual compensation of executive directors and other conditions of their contracts and iv) a statement of compensation policy for Directors and senior management.
 - ii. Approve the key objectives linked with the variable compensation for executive directors and/or the management.
 - iii. Propose to the Board of Directors the compensation system for senior managers of PRISA and its subsidiaries and report to the Board about the liquidation of the variable compensation for them and to establish other incentive plans for them.
 - iv. Ensure compliance with the compensation policy set by the Company.

Likewise, the Committee approves annually a report on its performance and exercise all other powers granted to the Committee in that Regulation.

During 2013 the Committee has met on seven occasions.

The following are the issues discussed during 2013 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:

Composition of the Board of Directors and Board Committees of PRISA

The Committee reported favorably on the proposal of the Corporate Governance Committee to the Annual General Meeting of Shareholders of June 2013, for the ratification of the interim appointment of the independent directors Mr Jose Luis Leal and Ms. Arianna Huffington.

Also, in order to fill one of the vacancies on the Board left by the resignation submitted on December 18, 2013 by the directors Mr Martin Franklin and Mr Harry Sloan, the Committee has reported favorably on the proposal made by the Corporate Governance Committee, of interim appointment of Mr Claudio Boda Pallerés, as independent director. Likewise the Committee has reported favorably on the appointment of Mr. Alain Minc as member of this Committee in place of Mr Martin Franklin.

The Committee also informed the proposed appointment of Mr. Antonio García-Mon- Marañés and Ms M^a Teresa Diez-Picazo Giménez, as General Secretary of the Board of Directors of PRISA and Deputy Secretary, respectively, following the resignations in those positions by Mr Iñigo Dago Elorza and Mr Ulecia Carlos Palacios.

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

Contracts of the executive directors

Having the Board resolved at its meeting on June 22, 2013, to request the Executive President to continue on his office and taking into account that his current contract expired in early 2014, the Committee has reviewed the terms of the Executive President's contract and has commissioned an independent third party, Towers Watson, the preparation of a report and recommendations in line with market conditions of similar companies.

Done this work and after successful negotiations, the Committee agreed to propose President's new contract to the Board.

Contracts of the members of the management team

The Committee has reviewed the contracts of certain key managers of the business units in order to standardize their terms regarding certain issues.

c)In relation to the compensation policy

Report on the Compensation Policy

- 2013

The Committee proposed the Report on the Annual Compensation Policy of the Board of Directors and Management Team for 2013, containing information on the implementation of the remuneration policy in 2012, which was submitted for advisory approval at the Annual Shareholders Meeting held on June 22, 2013, as a separate item of the agenda.

Also for the 2012 Annual Report on Corporate Governance, the Committee approved the section that includes the full amount of the remuneration of Directors and senior management.

- 2014

The Committee will present to the Board of Directors the report on the compensation policy of the board and management team for 2014, with information on the implementation of the remuneration policy in 2013.

This report was prepared using the new model approved by the Circular 4/2013 of the CNMV. The new structure of the report results in greater information and transparency on the part of the Company, in regard to the remuneration policy for members of the Board and also in relation to individual remuneration conditions of each.

Individual compensation of executive directors

The Committee approved the targets for determining the variable compensation for 2013 of the executive directors.

Compensation system for managers

The Committee authorized the redemption of the corresponding bonds and the long-term incentives for the Group's senior executives for 2012.

The Committee also approved the targets associated with the variable compensation for 2013.

The Committee proposed the terms of a new long-term incentive (LTI) for the triennium 2013/2015, as a variable remuneration of the management team (including an executive director, Manuel Polanco Moreno). Said LTI was authorized by the Board and by the Shareholders at its meeting held on June 22, 2013. However, the Board of Directors has not made use of the authorization to implement the LTI 2013-2015, so that the resolution of the Shareholders' Meeting has been terminated.

Performance evaluation

The Committee has assessed its own performance and has sought measures for improvement.

Other Matters

The Committee discussed the new regulatory framework affecting the remuneration policies of listed companies and in particular the Circular 4/2013 of the CNMV that approves the new model of Annual Report on the Remuneration of the Directors, which involves new reporting and transparency requirements for the Company.