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PRISA, a global group

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PRISA is the world's leading Spanish and Portuguese-language media group in the fields of education, information and news, and entertainment, thanks to its multi-channel offer of high-quality products.



Present in 22 countries, PRISA reaches more than 50 million users through its global brands *El País*, 40 Principales, Santillana and Alfaguara. As market leader in general-interest press, commercial and pay TV, spoken-word and music radio, education and publishing, it is one of the Spanish-speaking world's most profitable media groups and possesses an extraordinary portfolio of assets. Its presence in Brazil and Portugal and among the growing Hispanic community in the US has given the group an Ibero-American dimension and has opened up a potential global market of 700 million people.

With more than 250 websites, visited monthly by 36 million unique users* (70 million unique browsers**) worldwide, PRISA is at the forefront of multi-channel and multi-device content distribution. The group has embarked on an ambitious strategy of content distribu-

tion, offering products and services adapted to users' consumer habits through mobile phone devices, smart TVs, iPads, e-books and PSP games consoles. PRISA has its own Research and Development division, which is backed by the world's leading software operators.

*Source: Comscore, Jan 2012

**Source: Adobe Omniture + Netscape, Dec 2011

Vision, mission and values

A commitment to society is at the very core of PRISA. From the very beginning, the founders and promoters of *El País* have been committed to Spanish society, to defending and expanding democratic liberty, equality and civil rights for all. Three decades after the first issue of *El País*, this commitment remains as strong and vital as ever.

This vision is shared by all those who work in our organization and is evident in the work and in the day-to-day operations of all those who work for PRISA:

- Independence and rigor in our role as informers, educators and communicators.
- Responsibility, intellectual honesty and transparency.
- Respect for all ideas, cultures and people.
- Defense of freedom, peace and the protection of the environment.
- Self-criticism aimed at achieving personal and business improvement.
- Creativity and innovation in the development of business.
- Attention to the demands and concerns of society at all times.
- Responsible, efficient and sustainable management, which generates added value for both the shareholder and society as a whole.

These values have always been embraced by the teams of professionals working at *El País* and have subsequently been taken on board by all the Group's companies as they strive to be both socially responsible and leaders in the fields of education, news and entertainment in the Spanish and Portuguese-speaking markets. We are thus responsive to the needs and

El País Editorial Code

"El País is an independent newspaper with a clear international vocation and a defender of plural democracy based on liberal and social principles. It is committed to the defense of the democratic and legal order established by the Constitution. Within this framework, it embraces all tendencies, with the exception of those seeking to achieve their ends through violence (...) the paper is dedicated to providing daily accurate, complete and high quality information of interest to the public, thus enabling the reader to comprehend reality and form their own opinion of the world."

"El País should be a liberal, independent, socially responsible, national and European newspaper, attentive to the changes taking place in Western society."

"Liberal, to my understanding, means two things: to be willing to understand and listen to those holding different views and to reject the idea that the end justifies the means. In our times, liberal also implies the belief in popular sovereignty, that is, in the equal rights of each and every individual citizen".

We must therefore defend plural democracy, exercised through universal suffrage, as the least bad mechanism invented for the exercise of this sovereignty. We must recognize the fundamental rights of all people, while denouncing all types of totalitarianism, as the inescapable consequence of these beliefs".

"El País must also be an independent newspaper, not party to or mouthpiece for political, financial or cultural organizations or groups, and, while it defends free enterprise and depends on revenues from its advertisers, the newspaper rejects all conditions from economic pressure groups".

"El País must also champion solidarity, as in today's world, at least in Western countries, every member of society is a participant in the general welfare. For this reason, it must defend the establishment and proper administration of a Social Security system and a fair and just sharing of wealth through the proper imposition of taxation without inhibiting individual growth. It must also defend the environment, as the patrimony of all humanity; it must defend civic virtues, and endeavor to combat all corruption, fraud or abuse, and private and state monopolies. The solidarity of all Citizens before the law is also its mission, for which reason we consider the independence of the judiciary to be fundamental".

**José Ortega Spottorno,
March 5, 1977.**

expectations of a free, responsible, respectful and sustainable society.

Meanwhile, the rapid changes taking place in the media sector have spurred PRISA's transformation into a "new company", focused not only on the production and distribution of content in Spanish and Portuguese, but also on learning more about each of its stakeholder groups, as well as on the use of new technologies.

This shift in business model has been accompanied by a new approach to corporate identity

(specifically, repositioning and a new image) that requires us to update and reassess our mission, vision and values to enable the group to better face the challenges ahead without losing sight of our core principles.

PRISA is the world's leading creator and provider of Spanish and Portuguese-language content in the fields of education, information and entertainment, thanks to its consumer-oriented multi-channel offer of high-quality products. **Our mission** is to improve people's quality of life and to contribute to the progress of society by offering goods and services that will enrich the lives of consumers of our news and information, and educational and entertainment products. **Our vision** is to set the standard worldwide enrich culture worldwide in matters of culture and education in Spanish and Portuguese.

In short, we remain as committed as ever to our values:

- **People:** everything we do revolves around people.
- **Creativity:** creativity is our most basic tool in our ongoing drive to innovate.
- **Dedication:** our dedication guarantees value, quality and excellence.
- **Integrity:** we understand integrity as our sense of honesty, rigor, self criticism, responsibility, independence and impartiality.
- **Pluralism:** we see pluralism as embracing freedom of expression, transparency and diversity.
- **Connecting:** we are aware of the importance of being connected and being accessible in order to share and collaborate.
- **Security:** the new digital context requires to guarantee a safe environment to maintain our consumer's trust.



Social responsibility at PRISA

At PRISA we believe that our business operations play a significant social role in the development of democratic society. That's why the company has always focused on developing the best possible teams of professionals and on championing quality and credibility across all our products within the same ethical framework under which *El País* was founded: that is to say, solidarity, transparency, independence and the protection of the environment.

As a large media and publishing group, we take our responsibilities seriously, not merely in how we manage our businesses but also through our products—through which we strive to raise awareness and inform the public of the issues facing society.

We believe that our relationships with our suppliers are key to our mission to act responsibly. Through all our suppliers we foster a distribution of wealth and the creation of real socio-economic and technological value. That's why our Suppliers Policy takes into account not just factors regarding pricing, quality and geographical reach, but also issues such as the supplier's social commitment, particularly in the areas of taxation, workers' rights, human rights and the environment.

PRISA's social commitments may be grouped into four main areas:

- Informing responsibly.
- Committed to education.
- Responsible entertainment.
- Responsible management across the value chain.

Informing responsibly

The chief social responsibility of any media group is to defend and practice honestly and vigorously the right to information and freedom of expression.

In this way we contribute to the growth and development of a democratic society everywhere we operate and where our media outlets are clear leaders.

With a view to guaranteeing the fulfillment of these duties, *El País* was a pioneer from the very outset in adopting a series of professional and ethical frameworks such as the editorial codes, style book and readers' editor, which have been subsequently embraced by all the businesses across the group.

These ethical standards have fostered the growth of a business culture that is rigorous, critical and of high quality and that has set the standard in Spain and in the Americas. In the audiovisual sector, PRISA's companies have signed up to a number of codes that guarantee the quality of their news services. These include a code for self-regulation of television content for children.

Our credibility and prestige are among our greatest assets but this is not the only reason why every day millions of people read, watch, tune in, or log on to our services in search of information and news. Since the very outset, PRISA has played the role of responsible opinion leader and watchdog, working in defense of pluralist democracy, creating awareness around the issues that affect us. Our media have spoken loudly and eloquently—either through special coverage or by providing free advertising spaces for NGOs – on a number of campaigns and in defense of human rights.

Committed to Education

PRISA's operations include a wide range of products and services that foster the development of individuals, teachers and companies, from children's education to executive training programs.

As the world's largest educational publishing group in Spanish and Portuguese, PRISA, through the publishing brand Santillana, plays its role of leadership responsibly. We believe that education is a vital tool for the social, political and economic development of the societies in which we operate. As well as our commitment to quality, innovation and service, we have contributed over the decades to improving educational practice and have

facilitated public debate on the future of the education systems in Spain and the Americas.

PRISA is also committed to promoting Spanish language and culture worldwide.

Responsible entertainment

Every day, more than 52 million people in Europe and Latin America choose our TV channels, read our books, and tune in to our radio stations for leisure and entertainment.

All too aware of the influence of our content on children, teenagers and adults, PRISA, has set itself certain criteria governing integrity, quality and adaptation of content.

All our media outlets are signed up to a code for self-regulation of televisual content for children. The group also supports an agreement on self-regulation of television advertising.

We have shown that raising awareness of social and environmental issues can go hand-in-hand with entertainment, through programs that educate and inform, while also providing entertainment at the same time.

Our music stations avoid subjects that might prove offensive to listeners, particularly during time slots when children might be listening.

PRISA's media outlets have also shown their commitment to society by organizing events such as the aid concert *Concierto de los Premios Principales Solidarios*, the proceeds from which go to a worthy charity cause. In 2011, the proceeds from ticket sales to the 40 Principales gala awards ceremony went to the NGO *Emergencia en el Cuerno de África* (Horn of Africa Emergency Fund).

Responsible management of the value chain

Providing guarantees to our stakeholders with respect to our duties and obligations as a business is an important part of our responsibility as an organization.

We believe that our relationship with our suppliers is a key factor in acting responsibly.

Using our Guide to Relations with Suppliers, we evaluate not only economic, geographic and product and service-related factors, but also the suppliers' integrity and their



degree of commitment to tax, labor, human rights and environmental obligations.

Our commitment to sustainable development has meant we've made significant headway in environmentally sound management across all our companies, worldwide. Paper and cardboard, in different formats, is the consumer good used by the group that has most potential environmental impact. We carefully manage the use of paper right across its life cycle: from production to recycling.

Our commitment

Our commitment to society

PRISA has been signed up to the **UN Global Compact** since 2008. This initiative demonstrates the group's commitment, in both its operations and general strategies, to the Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption. In November 2010, the Spanish Network for the UN Global Compact paid tribute to the high level of implementation at PRISA of the Ten Principles that the UN Compact outlines for the advancement and

integration of Corporate Social Responsibility policies in the management of companies. Our commitment remained as strong as ever in 2011 and we expect to continue receiving a positive evaluation from the organization.

Investors, meanwhile, realise that PRISA is a company with responsible practices in terms of sustainability which is why the company has been included in the **FTSE4Good** since 2008, the international index aimed at measuring the performance of companies (30 in Spain) that meet globally recognised corporate responsibility standards. Once again this year, PRISA made it onto the index in recognition of its Corporate Social Responsibility policies in the areas of human rights, labor, the environment and anti-corruption.

Main achievements

Project toyoutome

The most prominent initiative of 2011 has been the extension of the project **somosPRISA** as framework concept encompassing a number of internal communication initiatives to integrate all business units, thus fostering entrepreneurial culture and a sense of belonging. This is a new, far-reaching initiative that completely changes the way people work at PRISA. The new organizational design promoted by the Group requires a level of coordination and communication that is only possible thanks to the project **toyoutome** our way of understanding internal communication that is articulated through various communication components. These include a global communications platform, a digital trends blog and a daily tweet, an internal social network, a club providing advantages and benefits for employees, training on our own campus, an internal job portal, among many other applications.

The first phase, completed in 2011, was to launch the new intranet or global platform, which began operating in December 2011. The PRISA Communications Department has succeeded in bringing the corporate intranet to encompass all business units and group companies, making it the mother platform that houses all existing internal spaces and channels, and thereby making it the main channel of PRISA's internal communications.



Although during the first half of 2012 we will still be improving the performance and overall functionality of toyoutome, for the first time the Group has a global collaborative work environment that acts as a channel of communication and interaction, and as a work tool that brings people closer together.

Corporate Center has created a team composed of intranet managers from each of the Group companies, together with cross departmental HR, ICT and Change Management teams, with the aim of working together to permanently identify synergies and exploit opportunities for collaboration in the field of internal communication, all coordinated with the heads of communication at the different PRISA units.

Internal audit on corporate social responsibility

We continue to forge ahead with our action plans based on ongoing assessment and follow-up. Thus, in 2011, PRISA oversaw significant initiatives across three general fields of CSR: social, economic and environment.

Most of these initiatives are detailed in the following chapters of this report, but we should highlight here the world's largest awareness campaign, Earth Hour, in which PRISA has been involved as media partner since 2009.

Global campaign for awareness against climate change

PRISA threw its weight behind the global awareness campaign against climate change organized by the WWF (formerly Adena), Earth Hour, on March 26. The initiative involved all the group's companies in all countries where the group operates. It is the largest mass public event that PRISA supports. It is an initiative that is very close to PRISA's heart. As a crucial news and cultural player in the Spanish and Portuguese-speaking worlds, the group will continue to support the initiative in the future in keeping with our commitment to raising awareness in this area.

The initiative in 2011 mobilized more than 135 countries (10 more than in 2010) in more than 5,000 cities worldwide in order to show that collective action can effectively lobby governments to act against

climate change. All of PRISA's media outlets in all those countries where it operates were involved in the awareness campaign: television, radio, press and internet. The campaign took place throughout March by means of a countdown on PRISA Radio's stations, on programs on Canal+, in *El País* and *Cinco Días*, on all the group's web pages and through Santillana, thus helping to spread the word that we still have time to prevent climate change.

PRISA involved all its employees through in-company initiatives and designed web page on the corporate site with the slogan: **PRISA against climate change**.

The day following the event (March 27) *El País* thanked all its readers for supporting the campaign on behalf of PRISA.

The cost of running the campaign through editorial coverage and the donation of advertising space was valued at over 11 million euros across all the group's media outlets.

Responsible communication

Over the past year, progress has been made in the plan for the management of indicators and for responsible communication. This has shown us the way forward.

Noteworthy achievements include:

a. New management of Communications: In 2011, PRISA's Department of Communication embarked upon a series of changes to modernize the management of Group communications, strategically focused on employing the most advanced technologies to position PRISA as a consumer-oriented company and on facilitating the Group's expansion in international markets, particularly the US, Brazil and Mexico.

This shared project, led by the Directorate of Corporate Communication, made up of the new team of communications directors from all the Group's business units, aims to guarantee and promote PRISA as socially responsible business group and to integrate PRISA's commitments as a socially responsible

Group with its commercial operations and its relations with stakeholders as well as social and environmental issues.

- b. To set up internal and external channels of communication in the area of Social Responsibility:** The corporate web site, prisa.com, has a special section on social responsibility that is constantly being updated. The Communication and Corporate Image department also periodically informs the media of all initiatives, and employees receive updates via the intranet service toyoutome. Departments also attend meetings and forums on corporate social responsibility, such as those organized by the Fundación Carolina, Media Responsable and the UN.
- c. To inform everyone in the organization of PRISA's commitment to sustainability and to involve them completely:** The Annual Report has a role to play in raising awareness on corporate social responsibility and sustainability at an internal level, and all our stakeholders are becoming increasingly aware of these issues. The WWF campaign, Earth Hour, was a significant turning point in raising awareness and taking full advantage of the synergies existing between the different companies at a global level. The business units were enthusiastic about this initiative, which will form the basis for future projects of a similar nature.

In December 2011, PRISA set out the framework for formulating a single comprehensive CSR policy, which will be developed in three areas over the course of 2012:

- **Creation and distribution of content.** Coordinated across all our products, we will pay even greater attention to all those issues of concern to society.
- **Responsible management.** A firm commitment to ambitious developments in the fields of talent management, innovation, ICT, etc.
- **Social action.** With a host of far-reaching initiatives within the framework of the Millennium Development Goals, sponsorship, volunteering, etc.

Transparency

In 2011 PRISA adopted a code of conduct of global scope for the Web 2.0 environment and common to all employees of the business units and Group companies, which provides basic guidelines for the proper use of web tools and a protocol for crisis situations. These principles will help to communicate the values of the company, both personally and professionally, throughout the Web 2.0 environment.

PRISA has a specific strategy to ensure the privacy of its readers and users. Each of our services and products has been designed in accordance with current legislation and best practices for maximum protection. Measures taken include transparent privacy policies, data treatment in accordance with current legislation, the use of personal data of users for purposes strictly related to the services to which they subscribe, and data control tools used by PRISA at all times. The Chief Privacy Officer is responsible for overseeing this area in the business units.

The privacy of the data obtained from our customers is a top priority for the Group. The user has full control over them. They are not shared with third parties, unless express consent is given, and at all times users can modify their data and unsubscribe.

Corporate Governance and Structure

Board of Directors	Executive Committee of the Board of the Board of Directors
<p>Chairman Ignacio Polanco Moreno</p> <p>Chairman of the Executive Committee of the Board and CEO Juan Luis Cebrián Echarri</p> <p>Deputy CEO and CFO Fernando Abril-Martorell</p> <p>Members Juan Arena de la Mora Nicolas Berggruen Matías Cortés Domínguez Martin Franklin Diego Hidalgo Schnur Gregorio Marañón y Bertrán de Lis Alain Minc Agnès Noguera Borel Borja Pérez Arauna Manuel Polanco Moreno Emmanuel Roman Harry E. Sloan Ernesto Zedillo Ponce de León</p> <p>Secretary of the Board Íñigo Dago Elorza</p> <p>Vice Secretary of the Board Carlos Ulecia Palacios</p>	<p>Presidente Juan Luis Cebrián Echarri</p> <p>Members Fernando Abril-Martorell Matías Cortés Domínguez Martin Franklin Gregorio Marañón y Bertrán de Lis Alain Minc Manuel Polanco Moreno Emmanuel Roman</p> <p>Secretary Íñigo Dago Elorza</p>
Audit Committee	Executive Committee of the Board of Directors
<p>Presidente Juan Arena de la Mora</p> <p>Members Agnès Noguera Borel Alain Minc Emmanuel Roman</p> <p>Secretary Íñigo Dago Elorza</p>	<p>Presidente Ernesto Zedillo Ponce de León</p> <p>Members Matías Cortés Domínguez Gregorio Marañón y Bertrán de Lis Agnès Noguera Borel</p> <p>Secretary Íñigo Dago Elorza</p>
Corporate Governance, Appointments and Remuneration Committee	
<p>Chairman Gregorio Marañón y Bertrán de Lis</p> <p>Members Diego Hidalgo Schnur Borja Pérez Arauna Harry E. Sloan</p> <p>Secretary Íñigo Dago Elorza</p>	

Formal policies for good governance

The principal objectives of Corporate Governance for PRISA are efficient administration and the provision of timely information, allowing the Group to respond to the needs of investors and analysts as well as to comply with legal disclosure requirements for regulated securities markets. The Group has established professional management structures of proven effectiveness and experience. It has developed a corporate communications policy providing market agents with the tools and information necessary for analysis and investment decision-making.

In July 2001 the Company established an "Audit and Compliance Committee" and an "Appointments and Remuneration Committee." Subsequently, in January 2007, and with the aim of strengthening corporate governance, the Board amended the Regulations of the Board of Directors whereby the responsibility for internal rules and compliance, which until then belonged to the Audit Committee, was assumed by the Corporate Governance, Appointments and Remuneration Committee.

On June 24, 2011, the Annual General Shareholders' Meeting approved the Board's proposal to change the Corporate Regulations and Bylaws to strengthen Corporate Governance, by the splitting the Corporate Governance, Appointments and Remuneration Committee in two separate committees: a Corporate Governance Committee (hereinafter the Committee), dedicated exclusively to the functions of corporate governance, and an Appointments and Remuneration Committee, which maintains its functions concerning the appointment and remuneration of directors and executives. The meeting of the Board of Directors held following the AGM amended the Board Regulations so as to adapt to the statutory changes made.

Internal company regulations

The Company is governed according to its Articles of Association and the following regulations:

- *General Shareholders' Meeting Regulations*
These regulate the principal norms for the convocation

and conduct of General Shareholders' Meetings, establishing that the "General Shareholders' Meeting is the supreme sovereign body of the company and compliance with its decisions is obligatory for all shareholders".

- *Board of Directors Regulations*
The purpose of these regulations is to determine the principles on which the actions of the Board are based, the rules of its organization and the functions and norms of conduct of its members.
- *Internal Code of Conduct for Securities Market Issues*
This establishes the Codes of Conduct for issues related to securities markets. It includes regulations for the timely and accurate communication of company information to the markets, in order to avoid the improper use of inside information and resolve possible conflicts of interest.

These Codes of Conduct are applicable to members of the Board of Directors and top management and may also be applied to corporate department heads and other managers or employees of the Group who may have access to privileged information.

The Secretary General of the Group will oversee compliance with the Codes of Conduct included in this Regulation.

- *Code of Conduct*
The Code of Conduct is applicable to all PRISA Group employees PRISA and was approved in 2011 by the Board of Directors, following a proposal made by the Corporate Governance Committee.

Corporate Governance Recommendations

Through the Annual Corporate Governance Report (ACGR), the company reports on the degree of compliance with corporate governance recommendations. Since the 2007 report, the company has taken on board the recommendations outlined in the Unified Code on Good Corporate Governance issued by the Comisión Nacional del Mercado de Valores (CNMV) in May 2006.

Further, since our common and convertible shares are classified as American Depositary Shares (ADS), on the New York Stock Exchange, PRISA has acquired a number of new legal obligations with regards to filing information with the US markets. Specifically, PRISA is now considered a foreign private issuer under the the rules and regulations of the SEC and is obliged to comply with the requirements of U.S. federal securities laws applicable to public companies, such as the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002, as well as those governing corporate governance at the NYSE.

Criteria for actions by the Board of Directors

As indicated in the Board of Directors Regulations, the actions of the Board must be subject to the following criteria: compliance with Social Responsibility (CSR) objectives, defense of the long-term viability of the company and the enhancement of its real value, safeguarding the identity and professional, ethical and editorial principles of the Group's media.

Culture of Corporate Social Responsibility in the governance bodies of the company

Corporate Social Responsibility Policy

The management of each business unit (publishing, press, radio, audio-visual and Internet), will adopt the necessary measures to ensure fluid communication with the plurality of social interests and concerns. The Group's media outlets will keep channels of communication permanently open to these interests.

Various members of the administrative and management organs of the company hold executive functions that involve them directly in the company's media organizations. This puts them in a position of constant communication with stakeholders.

In recent years, increasing amounts of information about the company's Corporate Social Responsibility policies have been made available. This will continue to be the case, as we provide the public with improved and more complete information about PRISA's CSR policies.

Since 2008, the Report on Corporate Social Responsibility has been submitted to the Board for its approval.

One of the changes made to the Regulations of the Board of Directors in 2011, enables the Corporate Governance Committee "to monitor, promote, guide and oversee the performance of the Company in the area of corporate social responsibility and sustainability, as well as corporate reputation, and report thereon to the Board of Directors and the Executive Committee, as appropriate".

Appointments and resignations

Specific procedures regulating executive appointments.

Company executives are appointed by the CEO who is granted this authority under Article 11 of the Board of Directors Regulations. The Appointments and Remuneration Committee informs the company executives of all appointments and resignations, retirements and removals of directors (art. 25 Board of Directors Regulations).

Formal procedures regulating appointments, reelection, evaluation and removal of board members.

The Board of Directors shall be made up of a minimum of three and a maximum of 17 members, determined at the annual shareholders' meeting. Their number shall be decided and they shall be appointed by the AGM.

The Board is currently made up of 16 members, including three executives, six directors representing controlling shareholders, six independents and one external member.

Company executives come from a wide variety of academic and professional backgrounds. Their CVs may be viewed on the company website (www.prisa.com).

The Board has a president (Ignacio Polanco Moreno), a CEO (Juan Luis Cebrián Echarri) a Deputy CEO (Fernando Abril-Martorell) and a secretary (Íñigo Dago Elorza). The president, CEO and the deputy CEO assume all powers that the Board can legally delegate to them.

Executive Committee and Board of Directors Committees

PRISA's Board has established a number of committees:

- An Executive Committee.
- An Audit Committee.
- A Corporate Governance Committee.
- An Appointments and Remuneration Committee.

In 2011, with the aim of strengthening Corporate Governance, the Corporate Governance, Appointments and Remuneration Committee was split into two separate committees: a Corporate Governance Committee (hereinafter the Committee), dedicated exclusively to the functions of corporate governance, and an Appointments and Remuneration Committee, which maintains its functions concerning the appointment and remuneration of directors and executives.

Details of the composition and responsibilities of the Executive Committee and of the other committees, as well as meetings held over the course of 2011, are available in the ACCGR.

The Audit Committee and the Corporate Governance Committee, and the Appointments and Remuneration Committee have all published reports describing their functions and activities over 2011.

Appointing and removing board members

Chapter VI of the Board Regulations details the procedures for the appointment and removal of Board members:

- *Appointing Members:* Members are appointed by the AGM or, provisionally, by the Board in accordance with the stipulations in the Companies Act, Ley de Sociedades de Capital y los Estatutos Sociales.

Motions for the appointment of directors are submitted by the Board of Directors to the shareholders' meeting and the appointment decisions adopted by said body by virtue of the powers of co-optation legally attributed thereto, will be in accordance with the provisions of this Regulation and shall be preceded by the appropriate proposal or report from the Appointments and Remuneration Committee or

the Corporate Governance Committee, as applicable, and shall not be binding.

In accordance with Article 15 bis of the Bylaws, 75 per 100 of the voting shares present or represented at the General Meeting shall be required to amend the administrative body of the Company and for the appointment of a Board Director, unless the nomination comes from the Board of Directors.

- *Appointment of External Directors:* The Board of Directors and the Appointments and Remuneration Committee shall, within the scope of their powers, ensure that all candidates are persons of recognized competence and experience.

It is the Corporate Governance Committee's task to assess the skills, knowledge and experience required to sit on the board, and define, therefore, the duties and qualifications required of the candidates to fill each vacancy and evaluate the time and dedication necessary for them to carry out their duties.

- *Re-election of members:* Motions for the re-election of members are submitted by the Board of Directors to the shareholders meeting and shall be subject to a favorable opinion issued by the Appointments and Remuneration Committee, who will assess the performance of the directors over their previous mandate.
- *Term:* Members shall maintain their posts for a term of five (5) years and may be re-elected. The appointment of directors by co-optation is subject to ratification by the first General Meeting following his or her appointment.

Directors shall offer their resignations to the Board of Directors when their term is completed, or when the General Meeting, subject to its statutory powers, decides to relieve them of their post.

- *Retirement and removal:* Directors shall offer their resignations to the Board of Directors when their term is completed, or when the General Meeting, subject to its statutory powers, decides to relieve them of their post.

Directors shall offer their resignations to the Board of Directors and, if deemed appropriate, formally resign in the following cases:

- a. When they are subject to any of the legally established prohibitions or grounds for disqualification.
- b. When based on a criminal offense they are indicted in ordinary felony proceedings or have been convicted in a misdemeanor proceeding.
- c. When they have received a serious reprimand from the Board of Directors for failure to fulfill their obligations as Directors.
- d. When the reasons for which they were appointed have ceased to exist and, in particular, when an independent director or a director representing controlling shareholders loses his respective status as such.
- e. When in the course of a year they fail to attend more than three meetings of the Board of Directors without just cause.
- f. When their remaining on the Board is deemed inappropriate, under the terms of Article 31.5 of the Board Regulations, and may directly, indirectly or through third parties associated with the Board Member, imperil the loyal and diligent exercise of his or her functions with regards to company interests. Under the terms of the aforementioned Article 31.5, in all those situations where there exists a conflict of interests, or one may be reasonably be expected to exist, and this is deemed to constitute a structural and permanent conflict between the Board Member (or between an associate, or in the case of a director representing controlling shareholders, a shareholder who proposed his or her appointment, or any other party directly or indirectly related to him or her) and with the Company or Group companies, said Member will be deemed to have failed to fulfill the duties inherent in his or her post.

The Board of Directors shall not propose the removal of any independent director before completing the

term of office set forth in the bylaws for which he was appointed, unless the Board deems that there is just cause for doing so and after seeking the opinion of the Corporate Governance Committee. In that regard, just cause shall be deemed to exist when the director has failed to fulfill the duties inherent in his post.

Committee members shall leave their posts when they cease to be directors.

- *Objectivity and secret voting:* Directors affected by proposals for re-election or removal will be absent during all discussion and voting on such matters.

All votes of the Board that relate to the appointment, re-election or removal of directors shall be secret if so requested by any member and without prejudice to the right of all directors to put their vote on the record.

Evaluation of the performance and composition of the Board of Directors

Evaluation of the performance and composition of the Board of Directors, the president and the top executive is approved by the Board, after a report from the Corporate Governance Committee (articles 5.3 b.x) and 26 of the Board Regulations.

Information

The Company's Annual Corporate Governance Report (ACGR) provides detailed information on the shares held by the board members in the company, the posts they hold in the different PRISA companies, as well as posts and stakes held in other companies, analogous or complementary to the Group's mission. The ACGR also provides information on the Board members' overall remuneration and the source of this.

Transparency

Formal and transparent policy regarding the remuneration of company directors

Remuneration policy

The Board of Directors and the Appointments and Remuneration Committee approves the annual remuneration policy of the Board of Directors and the Management team.

Remuneration policy, integrated within the Management Report accompanying the annual accounts, had been subject to approval at the General Shareholders' Meeting till 2011.

With the entry into force of the Sustainable Economy Act, which introduces Article 61 into the Securities Exchange Act regulating the Remuneration Policy Report, the Company, pursuant to that rule, has developed a remuneration policy report for the year 2012 that will collect the details of individual directors' remuneration in the previous year. This will be submitted to a vote, in an advisory capacity and as a separate item on the agenda at the next annual general meeting of shareholders.

The Annual Corporate Governance Report will provide information regarding the remuneration of executives and the management team. Furthermore, the Company complies with Article 260 of the LSA (Law of Limited Liability Companies), establishing that the Report must include the "overall remuneration" of executives.

Transparency of Information **Providing relevant information to the markets**

The company will provide the securities markets, through the CNMV and SEC, with relevant information immediately and prior to its communication by any other means. This information will also be posted on the PRISA website.

Furthermore, quarterly, twice-yearly and annual financial reports will be made available to the markets, after review by the Audit Committee and approval by the Board of Directors.

Corporate website

The corporate website (www.prisa.com) posts all the information the Company puts at the disposal of its shareholders and the general public. The site constitutes a key tool in improving the communication of the Group with market agents and stakeholders.

The corporate website provides complete information about the activities and geographical presence of the Group as well as the social and cultural action projects being carried out. Press releases and news items related to the Group are also posted.

The corporate website also includes a special section for shareholders and investors. This section provides Company financial information and presentations to analysts, indicating the share performance and payment of dividends. Furthermore, the website contains the information submitted to the CNMV, Corporate statutory norms and regulations, information about the Board of Directors, the Executive Committee, the Audit Committee, and the Corporate Governance Committee, and the Appointments and Remuneration Committee. Information about Shareholders' Meetings, as well as the Corporate Governance Reports issued by the Company are also available online.

Investor Relations Department

The Investor Relations Office maintains ongoing and transparent communication with the investors, meeting their demands for information on Company activities and business strategy.

In addition, this department prepares quarterly public reports that are issued to the markets, organizes trips to visit investors in major financial centers (London, New York, Paris and Milan, among others) and attends conferences organized by investment banks. In the year 2011, the Department visited more than 150 institutional investors, attended 12 conferences, went on five Roadshows and welcomed different groups of investors to its offices.

The Investor Relations department has an ongoing relationship with the analysts covering the action of PRISA, in order to explain in detail any public information concerning the Group which may have a significant nature.

In compliance with the Board of Directors Regulations, mechanisms have been established to provide regular, although not privileged, information to institutional investors through presentations and reports submitted to the CNMV, and via the corporate website. The Department also conducts conference calls with investors and analysts in order to give a fuller explanation of the quarterly results, and organizes meetings with the sales forces of the various banks to explain specific events.

One goal of the department is to increase the number of experts, currently at 18, who are following the share price. The aim is to achieve more exhaustive coverage, in clear benefit to the investors who have placed their confidence in PRISA.

Shareholder Relations Department

This Department, reporting to the General Secretary, is responsible for contacts with individual shareholders, attending to their inquiries and providing information either in person at company offices, by telephone or via mail, e-mail or fax. This department also attends to the general public, providing information about the Group.

Participation

Legal and /or statutory restrictions on the exercise of the right to vote and legal restrictions on the acquisition or transfer of company shares.

There are no specific restrictions on the exercise of the right to vote for holders of Class A ordinary shares. Class B shares are non-voting shares, in accordance with articles 6 and 8 of the Articles of Association.

There are no specific restrictions on the acquisition or sale of company shares. Such actions are subject to the general legal code governing shares and securities.

Risk management

Risk management policy

Grupo PRISA has an organizational structure and established procedures for the management of risks inherent in its business activities. The analysis and

control of risk is organized within the Group's management procedures and, as such, involves all members of the organization within a properly supervised framework, complemented by preventive actions designed to ensure the achievement of corporate objectives.

PRISA carries out an ongoing assessment of the most significant risks that might affect the company's chief businesses. To this end, the Group has designed a **Risk Map** – a tool providing graphic representation of risks and used to identify and evaluate the risks to which the different business areas are exposed. The parameters assessed for each risk include both the likely impact and the probability of it occurring. The identification of these risks, and the operative processes through which they are managed is the responsibility of the Group's Internal Audit Department, which reports periodically to the Audit Committee on the results of their work.

Within the framework of risk management, the principal risk factors are classified into the following categories:

- a. Strategic risks.
- b. Operational risks.
- c. Risks related to financial management.
- d. Risks related to reliability of financial information.
- e. Technological, IT and infrastructural risks.

The control systems in place to assess, mitigate or reduce risks to the Group are:

Control of strategic risks

The day-to-day management of the company is the responsibility of the CEO, subject to the supervision of the Board of Directors and its Executive Committee, and he has all the powers to act in this area, delegated in him by law.

The Board, under the authority of the CEO, designs the Group's strategic Plan, in which are defined the objectives set for each of the different business areas and the proposed development and growth in accordance with the markets, both nationally and internationally.

The Group's general strategies and policies are subject to prior authorization by the Board of Directors. Furthermore, the Strategic Plan, as well as the management objectives and annual budget and investment policy, must also be approved by the Board.

Compliance with the Strategic Plan and the budget is reviewed periodically, analyzing the extent to which the goals are being achieved, while evaluating deviations and imposing corrective measures. This process involves managers from all business units, as well as the general and functioning committees that forward their reports to the Board.

Operational risks

For business development, the Group has a decentralized structural organization with coordinating bodies such as the Business Management Committee, which carries out tasks of analyzing and monitoring both business evolution and the environment and operational problems of the different business units.

Risks in business transactions (operational, commercial, legal, fiscal and so on) are monitored by their respective organizations, by means of supervisory mechanisms at the corporate level. For example, the Fiscal Management department monitors the tax law in each of the geographical areas where the Group operates and assesses the different potential risks posed by varying interpretations by the local authorities of the prevailing tax system. Likewise, the risks inherent in the radio and television markets, which are often subject to the concession of broadcast licenses by the authorities, are monitored by the appropriate director generals, reporting at a corporate level to the Secretary General. Commercial risks, related to advertising and offering the appropriate services and products to our customers, are continuously monitored by the Group's Sales Management Department, by a content committee, by a committee specialized in promotional policy and by a publicity monitoring committee. It is worth noting that the Group's revenues are less dependent than those of other companies in this sector on the ups and downs of the advertising cycle. This is due to the input from the publishing arm, Santillana, and, above all, on the revenues acquired by the pay-per-view audiovisual businesses. Subscription

revenues, derived from pay-per-view digital television, made up 32.35 % of the group's operating revenues in 2011. Meanwhile, the Group's other business units frequently coordinate to evaluate and participate in new business opportunities, through the Transversal Business Committee.

Risk control related to financial management

■ *Finance Risks*

The Group's financial obligations are detailed in Note 12 "Financial debt" in Prisa's annual consolidated report for 2011. This Group's debt as of December 31, 2011, was 3,400 million euros.

The Group's level of debt brings with it certain financial obligations such as servicing the interests and principal, as well as operational limitations as laid out in the financing contracts signed. In order to meet these obligations, in 2011 the Group signed an agreement with its banks that implies certain modifications in the terms and conditions of loans, such as a deal to extend maturity on the Group's syndicated loan to March 19, 2014, and the bridging loan to January 16, 2015. Both loans, subject to meeting certain targets, will subsequently be extended to December 19, 2014 and September 21, 2015, respectively. Both moves have reduced the financial leverage of the Group and given the Group more room for manoeuvre.

As for the management of short-term financial obligations, this includes the detailed monitoring of the repayment schedule of the Group's loans and financial ratios set forth in the financing agreements, as well as the maintenance of lines of credit and other financial instruments that enable the Group to meet all foreseen financial commitments, in the short, medium and long term. The Group has set up a centralized treasury management system and a Cash, Debt and Capex Committee and carries out weekly assessments and projections, in this regard, which enable us to optimize our available resources in order to service the debt.

■ *Exposure to Interest Rate Risks*

The Group is exposed to interest rate fluctuations, since all of its debt with financial entities

is at variable interest rates. Prisa therefore takes out interest rate cover, basically by means of contracts that limit exposure to the maximum rates of interest, whenever our lines of credit are able to cover such an operation

- *Exposure to exchange rate risks*

The Group is exposed to exchange rate fluctuations mostly through the financial investments it has made in Latin American companies and the returns on those investments. In 2011 the revenues and consolidated results from the International area and Latin America made up 32.22 % and 24.26 % respectively of the Group's overall figures.

Prisa is also exposed to exchange rate fluctuations since it maintains debts with financial entities and international TV production companies in different countries and is involved in the acquisition of audiovisual rights. As of December 31, 2011, the weight of currencies other than the euro in the Group's debt was not significant.

The objective is always to reduce this risk, and the Group, in line with its forecasts and budget, follows the practice of taking out exchange rate cover (chiefly by insurance, by buying a forward contract in order to hedge against exchange rate variability).

- *Exposure to Risks Related to the Cost of Paper*

The Group is exposed to the possibility of variations in its results due to fluctuations in the price of paper, the essential raw material in some of its production processes. The Group has set up a strategic coverage program through which, by means of long-term contracts, it can cover the price of a given percentage of the volume of paper to be consumed over a certain period of time. In 2011 paper consumption made up 8.7 % of the group's purchases.

Risk control related to reliability of financial information

In fiscal year 2011 the Group has implemented a system of internal monitoring of information

that meets the financial requirements established by the Sarbanes-Oxley Act, applicable to the Group since

Prisa shares began trading on the New York markets. The identification of the risks related to financial reporting, the controls and the system for overseeing said controls are described in the Appendix to the Annual Report on Corporate Governance, under "Description of the main features of the systems of internal controls and risk management in connection with the issuance of financial information".

Risk control related to technological, IT and infrastructural systems.

The overall security of Grupo PRISA is managed by three main areas: the General Secretariat of the Group oversees the protection of personal data; Human Resources oversees the prevention of occupational hazards and safety; and finally, the Department for Information Systems and Communications oversees Information Security and business continuity. The management of overall security, in line with the growing internationalization of the business, covers advice on physical and logical security and coordinated action to strengthen the protection of confidentiality, the integrity and availability of information and systems, as well as the safety and security of other Group assets-people, processes, facilities and their contents.

In line with our Corporate Security Policy, the Group has continued to develop the Corporate Security and Safety Management System, established in 2008. This system is applied to a number of different areas: general policy, security policy, security organizational structure, personal safety and security, workplace and environment safety, communications and operations management, management of external control centers, development and maintenance of systems, access control, incident management, and continuity and business compliance.

This system incorporates information analysis tools and methodologies, as well as norms and guidelines, and is aimed at a convergence of the different security-related issues from the business units.

The Group has an ongoing commitment to carrying out security related projects in the area of communications security, incident management, safety and security audits, IT contingency plans, risk assessment and early-warning systems. In terms of physical safety and security, security

management has now been centralized, boosting the role of the Control Center that coordinates the safety and security related activities of the group's different control centers. Studies are also being carried out to optimize the use of resources used in safety and security.

PRISA also has a Technology Monitoring Observatory that foresees risks and any business opportunities that may arise due to technological advances.

Main features of internal control and risk management regarding the process of issuance of financial reporting.

During the fiscal year 2011, PRISA has implemented a system of internal control over financial reporting based on the general framework established in the COSO Report. The methodology used in implementing the internal control model is to cover requirements established by section 404 of the Sarbanes-Oxley Act, whose implementation is mandatory for the Group since Prisa shares began trading in New York (New York Stock Exchange). According to the Sarbanes-Oxley Act, PRISA must certify for the first time in 2011, the correct functioning of its system for internal control over financial reporting, and external auditors for the Group are required to give their opinion on the effectiveness of the control system established by the Group.

The system of internal control over financial reporting consists of five related components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

Bodies and functions responsible for the internal control over financial reporting (ICFR)

One of the functions assigned to the Board of PRISA, as set out in Article 5.3 of the Board Regulations, is the approval of control and risk management policy and the periodic monitoring of internal information and control systems. Furthermore, in accordance with the provisions of this article in the Regulations, Prisa's Board must approve this periodic financial information before making it public. In this regard, the Board of Directors is supported in its work by the Audit Committee. Among the basic

responsibilities of the Audit Committee, as defined in the Board Regulations, is the monitoring of the effectiveness of the Company's internal control systems and risk management systems and the drafting and filing of regulated financial information, specifically annual accounts and quarterly and half-yearly financial statements, which the Board is obliged to submit to the markets and their supervisory bodies.

Apart from the supervisory tasks of the system for internal control over financial reporting (hereinafter ICFR) carried out by both the Audit Committee and the Board of PRISA, the effective implementation of internal control model is also the responsibility of the CEO and Deputy CEO of PRISA and of the CEOs and CFOs of the Group's business units who are also involved in the preparation of financial information which forms the basis for the preparation of the Group's financial statements.

Departments and / or mechanisms responsible for the design and review of organizational structure

The Director of Organization and Human Resources, under the Deputy Chief Executive Officer, is responsible for the ongoing design, implementation, revision and updating of the Group's organizational structure. The Group's Business Units are supplied with an adequate distribution and definition of tasks and functions in financial areas, and have detailed job descriptions for key roles in the financial area as well as clearly defined lines of responsibility and authority for the process of financial reporting.

In addition, the Department of Organization and Human Resources coordinates and carries out an assessment of the internal procedures of the different Group companies, and the degree of documentation, updating and disclosure of these.

Code of conduct, agency approval, degree of disclosure and training, principles and values

PRISA's Code of Conduct, approved in the fiscal year 2011 by the Board of Directors, establishes the general guidelines that should govern the conduct of PRISA and all Group employees in the performance of their duties and their business and professional relationships, acting in accordance with the laws of each

country and with respect for commonly recognized ethical principles. The Code of Conduct has been communicated to all employees and is also available on the global intranet.

The basic values and principles that should guide the actions of Group employees are integrity, honesty, rigor and dedication in carrying out their activities, responsibility, commitment and transparency, pluralism and respect for ideas, cultures and people, creativity and innovation in business development, responsible, efficient and sustainable management, all of which generate value for shareholders and for the Group.

The standards of conduct in relation to financial reporting are aimed at guaranteeing transparency in the preparation and disclosure of financial information, at the level of both internal communication within the Group and externally, to shareholders, markets and regulators. Likewise, there are also performance standards aimed at ensuring that all operations are clearly and accurately reflected in the Group's records and books.

Requests, incidents and queries that arise regarding the interpretation and implementation of the Code of Conduct are dealt with by the Directorates of Human Resources of the Group, and ultimately, the Secretary-General, who reports regularly to the Corporate Governance Committee on the compliance by employees with the standards. The Corporate Governance Committee will publish an annual report on evaluation and the degree of compliance with the Code of Conduct, which shall be distributed among the relevant Prisa governing bodies.

Complaints and concerns channel

PRISA has a mailbox for receiving and dealing with complaints and concerns regarding accounting, internal controls or other auditing matters. This is a confidential and anonymous communication channel between Prisa employees and the Audit Committee. Additionally, there is a complaints box confidential available to third parties related to the Group.

The complaints are channeled through a special email address and are received by the Chairman of the Audit Committee, who determines the appropriate resources, methods and procedures for the investigation of each complaint.

Risk assessment regarding financial information

In the risk assessment of financial information, PRISA applies a top-down approach based on the Group's most significant risks. This approach starts with identifying significant accounts, where there is a reasonable chance of there being an error that, individually or aggregated with others, might have a material impact on the financial statements. To determine the importance an account in the consolidated financial statements, PRISA considers both quantitative and qualitative factors. The quantitative evaluation is based on the materiality of the account, and is supplemented by qualitative analysis that determines the associated risk depending on the nature of the transactions, the nature of the account, the complexity of the accounting and reporting, the likelihood of significant contingent liabilities as a result of the transactions associated with the account, and susceptibility to losses due to error or fraud.

In order to perform a full risk assessment, this analysis is performed in each Group Business Unit, as these ultimately generate financial information which serves as the basis for preparing PRISA's consolidated financial statements. The risk profile of each business unit is determined by its contribution to the consolidated financial statements, and the evaluation of specific risks, which means we take into account, among other factors, the nature of its activities, centralization or decentralization of operations, their specific risks, the existence of errors or

significant incidents reported in previous years, risks specific to the industry or the sector in which it operates and the existence of significant outlooks or estimates in the accounting principles to be applied.

For each of the business units considered significant, the relevant headings and sections are identified. Having identified the significant accounts and breakdowns at the consolidated level and in each business unit, we proceed to identify relevant processes associated therewith, as well as the major types of transactions within each process. The objective is to document how the major transactions of the significant processes are initiated, authorized, recorded, processed and reported.

For each account, there is an analysis of the significant accounting controls that will ensure the reliability of financial reporting, ie that the reported transactions have taken place and pertain to that account (existence and occurrence), that the transactions and assets have been reported in the correct amount (assessment / measurement), that the assets, liabilities and transactions of the Group are properly broken down, classified and described (presentation and disclosure) and that there are no assets, liabilities, or significant unreported transactions (integrity).

One of the significant processes is determining the Group's scope of consolidation, which is performed on a monthly basis by the Consolidation Department, under the Corporate Finance Department.

The system for identification and assessment of risks related to the internal control of financial information has been formally documented, with this structure in place for the first time in 2011, and is likely to be repeated at least annually. The system is monitored and overseen, as mentioned above, by the Audit Committee and, ultimately, by the Board of Directors.

Control activities

The Group makes available documentation describing the flow of activities and controls related to the processes identified as significant in each business unit and at a corporate level.

This documentation describes how transactions are initiated, approved, recorded, processed and reported, and from there identifies the key risks and associated controls. Documentation of control activities is carried out using risk matrices risk and process controls. Using these matrices, activities are classified as preventive or detective in nature, and depending on the coverage of associated risk, standard or key.

In each significant business unit there is a documented process dealing with closing accounting, as well as specific processes concerning relevant forecasts and estimates, according to the nature of the activities and risks associated with each business unit.

In relation to the review and approval process of financial reporting, a phased certification process was established

in 2011 that deals with the effectiveness of the model for internal control over financial reporting. Initially, the CEOs and CFOs of the business units and companies that are considered significant confirm the effectiveness of defined controls for all critical processes, and the reliability of financial information. Following these confirmations, and based on the report on the testing of controls performed internally, the CEO and the Deputy CEO certify the effectiveness of the Group's model for internal control over financial reporting in accordance with section 404 of the Sarbanes-Oxley Act. Also, in relation to this process, as mentioned above, there are procedures enabling the governing bodies to review and approve all financial information to be disclosed to the securities markets, including specific monitoring of significant risks by the Audit Committee.

Controls for system processes and applications that support critical business processes, are intended to maintain the integrity of the systems and data and ensure their operation over time. Information systems controls are fundamentally access controls, segregation of duties, development or modification of computer applications, and management controls for outsourced activities. During 2011, we have identified the chief applications that support the businesses' critical processes and we have analyzed and evaluated the controls and procedures associated with these. This analysis of the general system controls will be repeated regularly.

Reporting and communication

The organization has an accounting manual dealing with international financial standards that are applicable to the Group's businesses, defined by the Internal Audit Department, updated periodically and communicated to the various Business Units.

The Group has implemented control measures to ensure that all data supporting financial information is collected in a complete, accurate and timely fashion. A single, unified financial reporting format is applicable to all Group units, and is to be used for all financial statements and breakdowns. Additionally, the Group has control procedures in place to ensure that the information submitted to the markets includes a sufficient breakdown to facilitate proper understanding and interpretation by users of the financial information.

Supervision and performance of the system

The Group has an internal audit unit, to support the Audit Committee in overseeing the ICFR system.

The main objective of internal audit is to provide management and the Audit Committee with reasonable assurance that the internal control systems operating within Group companies have been properly designed and managed. Accordingly, during 2011, the internal audit coordinated and supervised the design and scope of the model for internal control over financial reporting and subsequently carried out an evaluation of the design and performance of all control activities defined in the model, in order to certify its effectiveness in complying with the Sarbanes-Oxley Act.

For each of the weaknesses identified, an estimation of the economic impact and expected probability of occurrence is made, and these are classified. Also, for all the weaknesses identified, a plan of action is defined that will neutralize or mitigate the risk.

Significant and material weaknesses that have been highlighted as a result of the assessment of the ICFR system are reported to both the Audit Committee and the External Auditor.

Additionally, the internal control system is reviewed by the Group auditor, who reports to the Audit Committee and gives an opinion on the effectiveness of ICFR in the Group's consolidated financial statements at December 31, 2011, in advance of submitting the financial information to the Securities and Exchange Commission. At the date of this report, the auditor has not yet reported any material weakness to the Audit Committee.

The Audit Committee's supervision duties with regard to the internal control system are detailed in the Board Regulations published on the Group's website. They include the following regarding the process of preparing and reporting financial information:

1. Review compliance with legal requirements and the correct application of generally accepted accounting principles, and report on any proposal suggested by management to modify accounting principles and criteria.

2. Determine and monitor the effectiveness of Company internal control systems and risk management systems and discuss with the auditors or audit firms any significant weaknesses in the internal control system that may have been detected during the audit.
3. Oversee the preparation and presentation of regulatory financial statements.
4. Review Company prospectus and information on the quarterly and half-yearly financial statements that the Board is obliged to submit to the markets and their supervisory bodies.

Stakeholders

Associations PRISA belongs to

In keeping with a commitment to an ongoing exchange of ideas in their relevant sectors, many of companies in Grupo PRISA are members of different professional associations and organizations.

In Europe, PRISA is a member of the European Publishers Council, an important association of leading media organizations and which represents our common points of view to the EU.

In the Americas, PRISA has been instrumental in the success of the Foro Iberoamérica, which every year brings together leading business people from the media world to discuss common problems throughout this geographical and cultural area.

In the Spanish education arena, Santillana is an active member of the National Book Editors Association, ANELE, as well as other educational organizations with common values such as quality and responsibility in teaching. In the field of radio, SER is a member of the Asociación Española de Radiodifusión Comercial (Association of the Spanish Commercial Radio Broadcasters). In the audiovisual sector, PRISA TV represents the Group in UTECA (TV and Audiovisual Content Union). The Group's newspapers are members of AEDE (Spanish Newspaper Editors Association). In Portugal, Grupo Media Capital is a member of the Portuguese Social Media Confederation, which brings together more than 600 companies from the press, radio and TV sectors. Further information is available on chapter 4.

PRISA and the Fundación Santillana run a number of renowned educational and cultural initiatives in Spain and in the Americas and have signed agreements with a number of cultural, educational and scientific organizations, including the Organization of Ibero-American States, the Spanish Royal Academy, the Cervantes Institute, Fundación Biblioteca Virtual Miguel de Cervantes, Fundación Teatro Real, Fundación Carolina, Fundación Cultural Hispano-Brasileña, Fundación Conocimiento y Desarrollo, Fundación Empresa y Crecimiento, Fundación Príncipe de Asturias and Fundación Bertelsmann. In the area of scientific research, development and innovation, the company collaborates with Fundación Pro CNIC and Fundación COTEC. PRISA maintains close ties to various universities in Spain and the Americas, including the Universidad Autónoma of Madrid, with whom we run the Journalism School and the Jesus de Polanco Chair for Ibero-American studies. PRISA also collaborates with the Carlos III University, the Menéndez Pelayo International University and is also associated to the Universidad Autónoma of Barcelona, the University of Alicante and the Carlos III University through the Instituto Universitario de Posgrado. The Fundación Santillana's offices in Latin America (Colombia, Brazil and Argentina) develop similar initiatives in the areas of education and culture.

PRISA's media have have long championed development campaigns promoted by NGOs such as the Red Cross, Accion contra el Hambre, UNICEF and the WWF, through news reports, promotion and sponsorship agreements.

Grupo PRISA's media have institutional channels which are permanently open to suggestions, criticisms and complaints, and organize tours of offices and facilities. They are attentive to the concerns of different social groups and stakeholders and encourage the exchange and debate of ideas, which serves to enrich society as a whole. Stakeholders can submit their enquiries, suggestions and concerns to the Corporate Center through the Communication Department, and the Investor and Shareholder Relations Departments. Additionally, the corporate website (www.prisa.com) provides investors and shareholders with relevant information about the Company.

The Group's different media provide institutional channels that are permanently open for receiving suggestions, concerns and complaints from stakeholders.

PRISA is also a member of the Spanish issuers association, Emisores Españoles, whose main objectives include:

- a. To promote measures to strengthen legal certainty in all matters relating to the issuance of listed securities and to participate in the development a better legal framework at both a national and European level.
- b. To contribute to the development of high standards of corporate governance.
- c. To promote communication between companies and their shareholders.
- d. To maintain a relationship of dialogue and cooperation with the Administration and, In particular, the National Securities Market Commission (CNMV).

Internal audit

The Company has an Internal Audit Department whose function is to provide the management of Grupo PRISA and the Audit Committee with a reasonable degree of certainty that the internal operational control systems within the Group have been correctly designed, implemented and managed.

The functions of this Department include:

- a. The evaluation of internal control systems to improve efficiency in the management and control of risks inherent in the activities of the Group.
- b. The revision of operations in order to verify that the results achieved concur with the established objectives and that operations and programs are implemented and executed as planned.
- c. Providing an independent opinion on the interpretation and application of legal accounting codes.
- d. The evaluation of efficiency in the use of the resources of the Group.
- e. The revision of measures implemented to safeguard assets and their verification.
- f. The revision of the accuracy and integrity of the operational and financial information of the companies within the Group and the means employed to identify, evaluate, classify and communicate said information.
- g. The Audit Department designs an Annual Internal Auditing Action Plan for the identification and

evaluation of the risks inherent in the activities of the business areas of Grupo PRISA, establishing priorities for Internal Audits and ensuring concurrence with the goals of the organization.

The Annual Internal Auditing Action Plan will identify all the Internal Audit actions planned for the year. The Plan will describe the activities and projects to be performed, their nature and scope and the resources available to the Internal Audit Department.

The Audit Committee will:

- a. Designate, appoint, re-elect or relieve the head of the internal audit service,
- b. Supervise the internal audit services and the annual report on the activities of the internal audit service,
- c. Supervise the preparation and presentation of regulatory financial statements,
- d. Be cognizant of and supervise the effectiveness of the internal control systems of the Company as well as all risk management systems. It will liaise with the auditors on relevant weaknesses detected within the internal control system during the development of the audit.

Independence of the External Auditor

Designation of the External Auditor

The Audit Committee will propose the appointment of the external auditor.

The Audit Committee must also approve the hiring of the Company's external auditor to perform any audit work, consultancy or any other appropriate task within the Company and Group companies.

The External Auditor and the Audit Committee will communicate on questions that may compromise the independence of the external auditor or any other issues related to the Auditing of company accounts. The Audit Committee shall receive annually from the auditors written confirmation of their independence from the entity or entities linked to it directly or indirectly, and relevant information on any additional services provided to these entities by said auditors, companies, or by persons or entities linked to them in accordance

with the provisions of Law 19/1988 of July 12, Auditing of Accounts.

The Audit Committee shall deliver annually, prior to the publication of the audit report, a report which will express an opinion on the independence of auditors. This report shall cover the provision of additional any services referred to above.

The external auditor attends meetings of the Audit Committee to report on the most relevant aspects of the work performed by the External Auditor.

External Auditor fees

As established in the Board of Directors Regulations, the Board will not propose the designation or renovation of an Auditing firm in the case that the total fees charged to Company constitute more than five percent of said auditing firm's annual income, taken as an average of the last five years.

The Board of Directors will make public the total fees paid to the Auditor by the Company, distinguishing between fees for accounts auditing and other services.