



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

CORPORATE GOVERNANCE COMMITTEE

**ANNUAL REPORT
2014**

Madrid, February 2015.

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I.- INTRODUCTION

The Corporate Governance Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA, the Company or Grupo Prisa when the consolidated group is alluded) (hereinafter the Committee) issues this report concerning its performance and activities during the 2014 financial year in order for the Board of Directors, if deemed appropriate, to make available to the shareholders the information regarding the functions and activities carried out during 2014 by the Committee.

The Committee is governed by article 21 ter of PRISA Bylaws and by articles 26 and related of the Regulation of the Board of Directors.

However, given that the Company Bylaws and the Board of Directors Regulation are in the process of being revised, amongst other reasons in order to adapt them to Act 31/2014, the internal governance regime set out in section III of this Report is likely to be modified in the near future.

II.- COMPOSITION

On the date of issuance of this report the composition of the Committee is as follows:

Chairman: Mr. Ernesto Zedillo Ponce de León.- External Independent Director.

Members:

Ms. Arianna Huffington.- External Independent Director.

Mr. Jose Luis Leal.- External Independent Director.

Ms. Agnès Noguera Borel.- External Director (representing significant shareholdings)

During the year 2014 there were no changes in the composition 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 21 ter of the Bylaws requires that the Corporate Governance Committee be composed exclusively of external directors and likewise provides that its Chairman shall be an independent director and article 26 of the Regulation of the Board of Directors provides that the Committee be composed of a minimum of three and a maximum of five external or non executive directors.

The Committee's secretary is the secretary to the Board of Directors, in accordance with the abovementioned article 21 ter of the Bylaws.

III. ACTIVITIES OF THE COMMITTEE IN 2014

In accordance with the provisions of Article 26 of the Board of Directors Regulation, the Corporate Governance Committee has the following competencies:

- a) Regarding the composition of the Board of Directors and Board Committees:
 - i. Propose the appointment of independent directors.
 - ii. Propose the qualification of directors into the categories of executive, external proprietary, external independent and other directors, when the appointment or renewal of the directors is going to be executed by the General Shareholders Meeting or when that classification is revised annually in the Corporate Governance Report.
 - iii. Inform on the removal of executive and independent directors, when the Board of Directors propose the decision to the Shareholders Meeting or when occurs *justa causa* due to a breach of the director of the duties inherent to his/her position and when is carrying out a disciplinary procedure that could mean the removal of the director.
 - iv. Report, together with the Nomination and Compensation Committee, on proposals for the appointment of the Chairman and Vice Chairman, Chief Executive Officer, and members of the Delegated Committee and other committees of the Board of Directors.
 - v. Evaluate the skills, knowledge and experience on the Board, and therefore, define functions and capabilities required of candidates to fill each vacancy and evaluate dedication necessary to properly perform their duties.
 - vi. Report to the Board on issues of gender diversity in relation to the composition of the Board.
 - vii. Submit to the Board of Directors, a report evaluating the performance and composition of the Board and the performance of their duties by the Chairman and the Chief Executive of the Company.
- b) In connection with the strategy of corporate governance and corporate social responsibility of the Company:
 - i. Promoting corporate governance strategy of the Company.
 - ii. Know, promote, guide and monitor the performance of the Company regarding corporate social responsibility and sustainability and corporate reputation and to report thereon to the Board and Delegated Committee as appropriate.
 - iii. Inform and propose to the Board the approval of the Corporate Governance Report.

- iv. Inform and propose to the Board the approval of the annual corporate social responsibility report and, in general, issue reports and develop actions in the field of corporate social responsibility and sustainability, in addition, in accordance with corporate governance of the Company and when being asked by the Board of Directors or its Chairman.
- c) In connection with the internal rules of the Company:
- i. Propose to the Board the approval of a Code of Ethics
 - ii. Propose to the Board the approval of a Code of Conduct of the employees.
 - iii. Report on proposals for amending the Bylaws, Rules of the Board, Rules of the Shareholders Meetings, Rules of Operation of the Shareholders Electronic Forum, the Internal Rules of Conduct, the Code of Ethics and Code of Conduct of the employees and any other rules of governance of the Company.
 - iv. Review the implementation of the Board Rules, the Internal Rules of Conduct, the Code of Conduct of the employees and, in general, the rules of governance of the Company and to make proposals for their improvement.
- d) In connection to transactions with related parties to the Company and companies of the Group:
- i. Report of transactions of the company with a significant shareholder, prior to its approval by the Board.
 - ii. Report professional or commercial transactions of directors, prior to its approval by the Board.
 - iii. Authorize transactions by persons related to directors under the terms provided for in Article 33 of the Board of Directors Regulation.
- e) Other competences:
- i. Review compliance policies and propose all necessary measures for its strengthening.
 - ii. Approve annually a report on the performance of the Committee and propose to the Board of Directors its publication, when the Annual General Meeting is called.
 - iii. Exercise all other powers granted to the Committee in the Board of Directors Regulation.

During 2014 the Committee has met on 5 occasions.

The following are the issues discussed during 2014 in subject areas pertaining to this Committee:

a) Composition of the Board of Directors and Board Committees:

i) Qualitative composition of the Board of Directors:

The Committee proposed classification of directors into the categories of executive, external proprietary, external independent and others, under different circumstances: i) when the appointment of the independent directors Mr Roberto Lázaro Alcántara Rojas and Mr. John Paton was proposed to the Board of Directors meeting held on February 24, 2014, and when the ratification of the interim appointment of the aforementioned directors, as well as the ratification of the interim appointment of Mr Claudio Boada Pallerés, appointed as independent director by the Board of Directors on its meeting held on December 18, 2013, was proposed to the Ordinary General Shareholders Meeting of April 2014, ii) when a classification change occurred during 2014 regarding directors Mr Roberto Lázaro Alcántara Rojas (from independent to external proprietary director) and Mr Fernando Abril-Martorell Hernández (from executive to other external director), in view of the circumstances affecting each of them, and iii) when the classifications are reviewed annually in the Annual Corporate Governance Report.

Specifically, in the Annual Corporate Governance Report corresponding to the 2013 financial year the nature of each director was explained, taking into account the definitions of the CNMV's Good Governance Code. Such classification shall be reviewed in the Annual Corporate Governance Report for the 2014 financial year, based on the criteria established by the aforementioned Act 31/2014.

(ii) Appointment of positions in the Board of Directors:

The Committee reported, together with the Nomination and Compensation Committee, on the appointment of Mr. José Luis Sainz Díaz as CEO of PRISA, effective October 1, 2014, replacing Mr Fernando Abril -Martorell Hernandez, who who ceased from that position but remained as Director of the Company.

Additionally the Committee has also reported, together with the Nomination and Compensation Committee, on the appointment of Mr Xavier Pujol Tobeña as Deputy Secretary of the Board of Directors of PRISA and Deputy General Secretary, following the resignation in these positions by María Teresa Diez-Picazo.

iii) Composition of the Board Committees:

The Committee has reported, together with the Nomination and Compensation Committee, on the following changes in the composition of the Board Committees.

Delegated Committee:

o Appointment of Mr Jose Luis Sainz Díaz and Mr Roberto Lázaro Alcántara Rojas as members of the Delegated Committee (the first of them in substitution of Mr Fernando Abril -Martorell Hernandez).

Audit Committee:

- o Appointment of Mr Fernando Abril-Martorell Hernández and Mr Claudio Boada Pallerés as members of the Audit Committee (the latter in substitution of Ms Agnès Noguera Borel).
- o Appointment of Mr Alain Minc as Chairman of the Audit Committee replacing Mr Juan Arena de la Mora, who ceased in this position but remained as member of such Committee.

Nomination and Compensation Committee:

- o Appointment of Ms Agnès Noguera Borel as member of the Nomination and Compensation Committee.

The Committee has reported favourably the creation of a Committee for Strategic Digital Change, given the importance of the digital transformation for the Group. The Committee has also proposed the regime of the Committee for Strategic Digital Change to be included in the Regulation of the Board of Directors in order to give it the same nature as the other permanent Board Committees have.

iv) Evaluation of the functioning and composition of the Board:

The Committee has coordinated the process for self-evaluation of the Board, informing it of the outcome.

b) Corporate governance and corporate social responsibility strategy of the Company:

i) Implementation of the Company's corporate governance strategy:

According to year 2014 working plan, whose intention was to review and update corporate governance rules of the Company, the Committee has focussed its efforts during the year in reviewing the corporate governance regulations contained in the internal rules of the Company and evaluating the crime prevention structure ("*Modelo de Prevención de Delitos*", hereinafter MPD) established by the Company in December, 2011.

The results of these works were as follows:

Amendment to the Bylaws, the Regulation of the General Shareholders Meeting and the Regulation of the Board of Directors:

The Committee has proposed the amendment to the Bylaws, the Regulation of the General Shareholders Meeting and the Regulation of the Board of Directors and submitted the proposal to the Board of Directors for their approval. The amendments of the corporate governance rules contained in these internal rules have been motivated by the following circumstances:

- Act 31/2014, December 3, which amends the Capital Companies Act ("*Ley de Sociedades de Capital*", hereinafter LSC) to improve corporate governance, and involves the introduction of new rules or the modification of existing ones, largely as a result of transforming what were mere recommendations of the Unified Code of Good Governance of the CNMV (hereinafter the CUBG) in mandatory rules.
- Conducting technical improvements of a purely formal, systematic or grammatical character, or merely adapting its wording to the amendment of the LSC.
- Introducing matters which had been the subject of analysis and review of the Committee for better adaptation to the inner reality and practices of the Company -such as the model of relationship between bodies and persons delegated by the Board, functions and composition of the Delegated Committee, the powers of the Board which cannot be delegated, meetings of the external directors or the regulation of the position of President of Honor- and with full or partial failures to comply with the CUBG -such as limitations on the exercise of other positions by the directors of PRISA, recommendation regarding the remuneration linked to company earnings taking into account any qualifications stated in the report of the external auditor affecting those results, as well as recommendation to impose restrictions to the sale of shares delivered to non-executive directors in payment of their remuneration.

Amendment to the Internal Code of Conduct on Stock Exchange Matters:

The Committee has also worked on the amendment to the Internal Code of Conduct on Stock Exchange Matters of PRISA and its Group of Companies (hereinafter RIC), approved in 2000 and last revised in June 2006, mainly for the purpose of adapting its content to the CNMV 2013 Recommendations on treasury, as well as other documents with different regulatory range and degree of linkage for issuers of securities, have been published since the last amendment to the RIC, taking into account both the structure and internal organization of the Group.

Due to the importance given by Spanish legislature and the CNMV to the treatment of inside information, the Committee decided to draw up and propose to the Board the adoption of an internal regulation developing the regulations contained in the RIC on this subject: Rules for the Treatment and Transmission of Privileged Information, where the most relevant measures and recommendations contained in the "*Guía de actuación para la transmisión de información privilegiada a terceros*" ("Guide on the transmission of privileged information to third parties") published by the CNMV are collected.

Both amendment to the RIC and the said Rules were approved by the Board in December 2014.

Decalogue of best practices for the performance of the governing bodies of Prisa:

The Committee has developed and proposed to the Board of Directors some recommendations in order to improve some aspects of the functioning of the Board of Directors and its Committees, as well as its current corporate governance

framework, which, under the name of "Best Practices Decalogue ", has been approved and assumed by the Board in July, 2014.

Review of the Crime Prevention Structure (MPD):

In light of the draft act amending the Criminal Code, in particular with regards to the scope of criminal liability of legal persons, the Committee has conducted, with expert external advice, a diagnosis and assessment of the MPD and adopted a series of actions and works to be performed during 2015 in order to review, update and adapt the said MPD and also the Code of Conduct of the Group, as well as to define and implement an adequate structure of compliance and a training and awareness plan on these matters.

ii) Corporate social responsibility, sustainability and corporate reputation:

The Committee has analysed and favourably reported the Sustainability Report for the year 2013, which was approved by the Board of Directors.

iii) Annual Corporate Governance Report:

The Committee proposed the Corporate Governance Report for the 2013 financial year to the Board of Directors.

Also, this Committee will propose the Corporate Governance Report for the 2014 financial year to the Board of Directors.

c) Internal rules of the Company:

Amendment of the Company's governance rules.

The Committee has reported favourably on the proposal for the amendment to the Bylaws and to the General Shareholders Meeting Regulation, that the Board of Directors submitted to the approval of the ordinary shareholders' meeting held on April 28, 2014.

The purpose of these amendments was to include an express provision in the Bylaws regarding the types of compensation which executive directors may be entitled to receive and to remove the automatic update of the remuneration of directors based on the percentage variation of the Consumer Price Index, according to the index unlinking general policy carried out by the Company.

Examination of compliance with the Board Regulation, Internal Conduct Regulation, Code of Conduct and, in general, the Company's governance rules.

The Committee analysed, particularly, the compliance with the company's governance procedures during the 2014 financial year.

Compliance with the Internal Code of Conduct Relating to the Securities Markets.

In compliance with the Internal Code of Conduct, the following actions were taken during the financial year 2014:

- The General Secretary has continually updated the list of persons subject to this Internal Code of Conduct.

In that regard, all persons included in that list have been informed of the Internal Code of Conduct.

- The General Secretary has received notice from all persons subject to the Internal Code of Conduct who have participated in transactions involving the purchase or sale of Prisa shares.

- The General Secretary of Grupo Prisa has maintained a Central Register of Insider Information in which, with regard to legal or financial operations that may significantly influence the quotation of company securities, contains an up-to-date list of persons with access to such information.

Compliance with the Code of Conduct.

The Committee has examined compliance with this Code which as it has been indicated, is under a phase of updating within the process of reviewing the MPD.

d) Regarding transactions with parties related to the Company and other Group undertakings:

The Committee reported favourably on and also authorized certain transactions with directors and persons related to them, in accordance with the provisions of the Board of Directors Regulation.

e) Other Matters

The Committee continued to analyse various issues affecting the Company and its directors, as a result of the delisting and deregistration of the securities of the Company in the United States.

This report was approved in Madrid at the meeting of the Corporate Governance Committee held on February 2015.
