



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

**CORPORATE GOVERNANCE COMMITTEE**

**ANNUAL REPORT  
2011**

Madrid, February 2012.

## **CORPORATE GOVERNANCE COMMITTEE ANNUAL REPORT**

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### **I.- INTRODUCTION**

In July 2001 the Company set up a "Commission of Audit and Compliance" and a "Nomination and Compensation Committee." Subsequently, in January 2007, with the intention of strengthening the role of Corporate Governance, the Board amended the Regulations of the Board of Directors so that the competences relating to internal and regulatory compliance, which belonged to the Audit Committee, were undertaken by a "Corporate Governance, Nomination and Compensation Committee" (the CGNCC).

On June 24, 2011 the Board of Directors proposed to the General Shareholders Meeting, that approved it, the amendment of the Bylaws with the intention of strengthening the corporate governance system of the Company, by splitting the Corporate Governance, Nomination and Compensation Committee of the Company (hereinafter the CGNCC) into two separate Committees: one of Corporate Governance (hereinafter the Committee), dedicated exclusively to the functions of corporate governance and other of Nomination and Compensation, which maintained the powers relating to the appointments and compensations of directors and members of the management team. The Board of Directors held after such Shareholders Meeting modified the Regulation of the Board of Directors of the Company for its adaptation to the Bylaws amendments.

Throughout the year 2011 issues in corporate governance have been treated, without interruption, first by CGNCC and then by the Committee. Therefore references made to the Committee throughout this report shall be made either to CGNCC, depending on the dates (before or after June 24, 2011) in which the relevant matter had been dealt with.

The current Committee is governed by article 21 ter of PRISA Bylaws and by articles 26 and related of the Regulation of the Board of Directors and issues this annual report concerning its performance during the 2011 financial year, in accordance with the provisions of Article 26. 3.e)ii. of the Board of Directors Regulation.

### **II.- COMPOSITION**

The current composition of the Committee is as follows:

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

Members:

D. Matías Cortés.- Other External Director

D. Gregorio Marañón y Bertrán de Lis.- External Independent Director.

D<sup>a</sup> Agnès Noguera Borel.- External Director (representing significant shareholdings)

Secretary: Mr. Iñigo Dago Elorza, Non-Member Secretary of the Board of Directors

Until its split into two separate committees, the composition of CGNCC was as follows:

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

Members:

Mr. Diego Hidalgo Schnur – External Director (representing significant shareholdings)

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

Mr. Harry Sloan- External Independent Director

Secretary: Mr. Iñigo Dago Elorza, Non-Member Secretary of the Board of Directors

Article 21 ter of the Bylaws set forth that the Corporate Governance Committee shall be composed exclusively of external directors and likewise provides that its Chairman shall be an independent director, which are, in fact, the cases.

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

### **III. ACTIVITIES OF THE COMMITTEE IN 2011**

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

Since its creation as Corporate Governance Committee, on June 24, 2011, the Committee has met on three occasions (July 29, 21 October and 16 December 2011). However, and prior to that date, the CGNCC had met other five times in 2011 (January 20, February 17, March 31, June 7 and June 24, 2011).

The following are the issues discussed during 2011 in subject areas pertaining to this Committee:

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

##### Qualitative composition:

The Committee proposed classification of directors into the categories of executive, external proprietary, external independent and other directors, under two different circumstances: i) upon appointing directors (which is the case of the executive director Mr. Fernando Abril-Martorell, appointed as such by the shareholders meeting of June 24, 2011) and ii) when that classification is reviewed annually in the Annual Corporate Governance Report.

Specifically, in the Annual Corporate Governance Report corresponding to the 2010 financial year the nature of each director was explained, taking account of the definitions in the CNMV's Good Governance Code, to be repeated in the Annual Corporate Governance Report for the 2011 financial year.

#### Appointment of the Deputy CEO and composition of the Board Committees:

The CGNCC reported favorably on the appointment of Mr. Fernando Abril-Martorell Hernández as Deputy CEO, and the delegation to Mr. Abril-Martorell of all authority of the Board, except for non delegable authority.

Also, the Committee reported favorably on the composition of the two Committees resulting from the split of the CGNCC.

#### Evaluation of the functioning and composition of the Board and the performance by the Chairman of the Board and chief executive of the Company of his duties:

The Committee prepared the questionnaires to be distributed among the directors, to proceed with the aforesaid evaluation.

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

##### Implementation of the Company's corporate governance strategy.

Throughout 2011 the Committee analyzed the new legal reporting obligations arising for the Spanish and US markets. Certain legal obligations regarding corporate governance imposed on PRISA by reason of the trading of its shares on the US market and its status as a "foreign issuer" were incorporated in the Company's internal rules. The majority of these obligations result from application of the Sarbanes-Oxley Act.

Also, the Committee dealt with possible measures to be adopted by the Company regarding the recent amendment of the Penal Code (corporate defense).

It also must be noted that the Company adopted other significant measures regarding corporate governance, which are analyzed in the annual report issued by the Audit Committee (for example, implementation of a complaint mechanism).

##### Corporate social responsibility, sustainability and corporate reputation

The Corporate Social Responsibility Report for the 2010 financial year was approved by the Board of Directors.

##### Annual Corporate Governance Report.

The Committee proposed the Corporate Governance Report for the 2010 financial year to the Board of Directors.

Also, this Committee will propose the Corporate Governance Report for the 2012 financial year to the Board of Directors.

#### **c) Internal rules of the Company:**

##### Employee Code of Conduct.

Within the context of adaptation of the Company to the best domestic and international practices on Corporate Governance, the Board of Directors meeting held on December 16, 2011, on proposal of this Committee, approved a Code of Conduct generally applicable to all employees of the PRISA Group.

By adopting this Code the Company seeks to follow the best practices on corporate governance, since it is included within the recommendations regarding reputation and adaptation to the Sarbanes-Oxley Act, and further is consistent with the trend of the majority of Spanish issuers.

#### Amendment of the Company's governance rules.

The Committee reported favorably on proposed amendment of the Company's Articles of Association (approved by the shareholders meeting of June 24, 2011), and the Board of Directors Regulation (approved by the Board of Directors meeting of the same date).

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

The Committee analyzed compliance with the company's governance procedures during the 2011 financial year. For these purposes it is noted that the Company is a consolidated undertaking, which must respect Spanish and US legislation, as it is traded in both countries, and further operates in more than twenty countries, compliance with the rules of which is also required.

In particular, the Committee highlights the following actions undertaken in this regard:

#### *i) Functioning of the Board of Directors, Executive Committee and other Committees:*

During the 2011 financial year, the Board of Directors held 5 meetings and exercised the authority given to it by the Articles of Association and its regulation.

The Delegated Committee held 8 meetings during the 2011 financial year, and exercised the authority given to it by the Board Regulation.

The Audit Committee held 7 meetings and issued a report verifying proper exercise of its authority in 2011.

In addition, as already indicated in section III of this Report, the CGNCC met on 5 occasions from January 1 to June 24, 2011. After that date, the Nomination and Compensation Committee and the Corporate Governance Committee met on 1 and 3 occasions, respectively.

Also, the Nomination and Compensation Committee issued a report regarding its activities in 2011.

*ii) Disclosure of corporate information to the market*

Among the measures adopted to achieve effective dissemination of information regarding the Company, the following must be noted:

- Material Disclosure to the National Securities Market Commission (CNMV): In compliance with the applicable Spanish laws regarding the securities markets and the Company's Internal Conduct Regulation, it timely notified the CNMV of all Material Disclosures. The aforesaid communications are available on the CNMV website and the corporate website (www.prisa.com).

Throughout the 2011 financial year, and in accordance with the rules in force, the company sent periodic public information regarding its results on the following dates:

- 02/28/2011: The Company sent information regarding its results for the 2010 financial year.
- 05/05/2011: The Company sent information regarding its results for the first quarter of the 2011 financial year.
- 07/29/2011: The Company sent information regarding its results for the first semester of the 2011 financial year.
- 10/24/2011: The Company sent information regarding its results for the third quarter of the 2011 financial year (the results for the first nine months of the 2011 financial year).

Also, during the 2011 financial year the company sent the CNMV Material Disclosures related to the following matters:

- Approval of the Annual Corporate Governance Report for the 2010 financial year.
- Matters related to the call and holding of an Ordinary Shareholders Meeting (in June, 2011) and documentation related thereto.
- Amendment of the Board of Directors Regulation.
- Changes in the composition of the Board and its Committees.
- Amendment of the shareholders agreements signed by the reference shareholder of PRISA.
- Periodically the Company's capital figure has been updated based on information related to the exercise of warrants and conversion of B shares into A shares by the Company's shareholders.
- The Company's Efficiency Plan, with an impact on Group resources.
- The process of restructuring the Company's debt.



- Status of the dispute affecting its subsidiaries regarding soccer audiovisual rights.
- The agreement reached by Digital+ and Telefónica for distribution of Canal + on Imagenio/Movistar.
- The sale of an interest in the Portuguese subsidiary Media Capital, to PortQuay West I B.V.
- Corrections of information published by certain media regarding statements made by an officer of the Company.
- Presentations regarding the company and information related to meetings with analysts and investors.

- Material disclosure notified to the Security and Exchange Commission (SEC):

PRISA also has other reporting obligations to the SEC. In compliance with Rule 13a-16 of the Securities Exchange Act de 1934, it regularly sends the SEC English translations of the same Material Disclosures it makes through the CNMV.

Also, on June 30, 2011, PRISA filed Form 20-F with the SEC, after reports from the CGNCC and from the Audit Committee, within the scope of their respective authorities.

Form 20-F, which is available on the SEC and PRISA websites, is a prospectus prepared in accordance with the Securities Act of 1934 and the rules of conduct of the US securities market, offering information regarding the Company and its securities.

- Other regular reporting mechanisms: In compliance with article 38 of the Board Regulation, the Board is to see to the establishment of appropriate mechanisms for regular interchange of information with the institutional investors in the shareholding structure of the Company, without relationships between the Board of Directors and institutional shareholders in any case resulting in delivery to them of any information putting them in a privileged or advantaged situation by reference to other shareholders.

*iii) 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 2011:

- 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.

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

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

This report was approved in Madrid at the meeting of the Corporate Governance Committee held on February 2012.

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