



PRISA



PRISA, a global group



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PRISA, a global group

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

Present in 22 countries, it reaches more than 50 million users through its global brands *El País*, 40 Principales, Santillana and Alfaguara. As market leader in general-interest press, free-to-view and pay TV, spoken-word and music radio, education and publishing, it is one of the 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 51 million unique users, PRISA is at the forefront of multi-channel and multi-platform content distribution. The Group has embarked on an ambitious strategy of content distribution, offering products and services adapted to users' consumer habits through mobile phone devices, 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.



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 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,

***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.

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. We are committed to improving people's quality of life and to contributing 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. We are committed to enriching culture worldwide as part of our mission to guarantee sustainable economic and social progress and ensure participation in a global society.

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.
- *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.

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 socioeconomic 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 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 51 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 *Premios Principales Solidarios*, the proceeds from which went to the charity Ayuda en Acción.

Responsible management across 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. All along our network of suppliers, wealth, and socioeconomic and technological value is created and distributed. 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 companies management.

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 that meet globally recognised corporate responsibility standards. Once again, in 2010, PRISA made it on to the index in recognition of its Corporate Social Responsibility policies in the areas of human rights, labor, the environment and anti-corruption.

Main achievements

Internal audit on corporate social responsibility

Every year, PRISA carries out an internal audit to measure the degree of awareness and commitment to corporate social responsibility among our companies; to discover the details of all those initiatives in the area of corporate social responsibility within the Group; and to identify good practice, weaknesses and opportunities in the area of corporate social responsibility and thus develop a framework for future initiatives.

The study involved 18 countries (Spain, Portugal, Brazil, Argentina, Columbia, Bolivia, Ecuador, Peru, Chile, the US, Puerto Rico, Paraguay, Uruguay, the Dominican Republic, Guatemala, Honduras, El Salvador and Mexico) across all the business units and was aimed at analyzing human resources, relations with stakeholders, social commitment and the environment. Qualitative questionnaires were carried out, as were telephone interviews with a view to learning more about the level of social commitment within PRISA.

These findings form the basis for this report and inform all future strategies in the area of corporate social responsibility.

- Strategic alliances:
 - Environment.
 - Social action.
 - Equality/integration.
- To extend our influence across the value chain.
- Content-production strategy:
 - Identified and uniform across all business units and markets.
- Internal communication:
 - With our employees and suppliers.
 - With our media outlets.
 - Encourage "ambassadors" for our brands.
 - Among communications teams of our business units and markets.
- Awareness campaigns:
 - Boost our influence as opinion leaders on society.
- Implement measurement systems in management:
 - Measure what we're doing to enable us to improve.
- To take on a role of leadership in order to promote corporate social responsibility in the media sector.
- Take advantage of internal resources:
 - Training.

Global campaign for awareness against climate change

PRISA threw its weight behind the global awareness

campaign against climate change organized by the WWF, *Earth Hour*, on March 27. The initiative involved all the group's companies in all countries where the group operates. It was the largest mass public event that PRISA supported as media partner in 2010, and one that the Group has been supporting since 2009. 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 2010 mobilized more than 125 countries (37 more than in 2009) in 4,211 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 Unión Radio's stations, on programs on Cuatro and Digital+, 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 28) *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.

The SomosPRISA initiative

Another noteworthy initiative in 2010 in the area of corporate social responsibility was the ongoing success of **SomosPRISA**, a project in the area of internal communication aimed at fostering company culture and a sense of belonging. The first phase involved launching a new corporate intranet. The Communications Department is now working on rolling out the intranet across all of the Group's business units in order

to transform it into a platform encompassing all in-company units and thus facilitating internal communications.

For the first time, the Group has a collaborative work space that works as a channel keeping employees up to date on company news and allowing them to participate at a more personal level in the day-to-day activity of all the different business units of the Group. It's a flexible model that has become an obligatory port of call for all the Group's companies and to which they have direct access.

A working group has been set up at the Corporate Center, made up of intranet managers from each of the companies with the aim of collaborating to identify potential synergies and to take advantage of opportunities in the area of internal communication.

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 2010, 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 communications directors from all the Group's business units, aims 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 Department also periodically informs the media of all initiatives, and employees receive updates via SomosPRISA. These 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 among all our stakeholders. 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.

Corporate Governance and structure

Board of Directors

Chairman

Ignacio Polanco Moreno

Chief Executive Officer and Chairman of the Executive Committee of the Board

Juan Luis Cebrián Echarri

Members:

Juan Arena de la Mora
Nicolas Berggruen
Matías Cortés Domínguez
Martin E. 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

Secretary non Director

Iñigo Dago Elorza

Executive Committee of the Board

Chairman

Juan Luis Cebrián Echarri

Matías Cortés Domínguez
Martin E. Franklin
Gregorio Marañón y Bertrán de Lis
Alain Minc
Manuel Polanco Moreno
Emmanuel Roman

Audit Committee

Chairman

Juan Arena de la Mora

Agnès Noguera Borel
Alain Minc
Emmanuel Roman

Corporate Governance, Appointments and Remuneration Committee

Chairman

Gregorio Marañón y Bertrán de Lis

Diego Hidalgo Schnur
Borja Pérez Arauna
Harry E. Sloan

Formal policies for good governance

The principal objectives of Corporate Governance for Grupo 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.

Company restructuring in 2010

In 2010, PRISA concluded a Business Combination Agreement (BCA) with the US company Liberty Acquisition Holdings Corp. (which has the legal form of a "special purpose acquisition company").

This agreement led specifically to two capital increases with the consequent modification of the Group's shareholder structure, statutes and regulations. The capital increases are as follows:

1. Capital increase by way of cash contribution by the issue and circulation of 241,049,050 Class A common shares, recognising pre-emptive subscription right via Warrants.
2. Capital increase by the issue and circulation of 224,855,520 Class A common shares, and 402,987,000 Class B convertible non-voting shares, to be subscribed by contribution of all common shares and warrants of Liberty Acquisition Holdings Corp., once absorbed by its subsidiary, Liberty Acquisitions Holdings Virginia, Inc. (the company resulting from the merger, hereinafter "Liberty").

The new Class A and class B shares were subsequently admitted to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, within the Exchange Interconnection (Continuous Market) System (SIBE) and as "American Depositary Shares" (ADS) on the New York Stock Exchange.

PRISA Warrants trade on the Spanish stock exchanges. As a consequence of the issue and circulation of

shares, PRISA acquired a number of new legal obligations with regards to filing information with the Spanish and US markets. Specifically, PRISA is now considered a foreign private issuer under 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.

Internal regulations

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

General Shareholder's 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.

Corporate Governance Recommendations

Through the *Annual Corporate Governance Report (ACGR)*, the company reports on the degree of com-

pliance 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.

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.

In 2008 the Board gave its approval for the Report on Corporate Social Responsibility, created with the participation of a consulting firm specialized in this field.

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.

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.

The Board is currently made up of 15 members, including one executive, seven 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 chairman (Ignacio Polanco Moreno), a CEO (Juan Luis Cebrián Echarri) and a secretary (Íñigo Dago Elorza). The chairman and the 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 commissions and committees: an Executive Committee, an Audit Committee and a Corporate Governance, Appointments and Remuneration Committee.

Details of the composition and responsibilities of the Executive Committee and of the other committees, as well as meetings held over the course of 2010, are available in the ACGR.

The Audit Committee and the Corporate Governance, Appointments and Remuneration Committee have both published reports describing their functions and activities over 2010.

Appointing and removing board members

Chapter VI of the Board Regulations details the pro-



cedures for the appointment and removal of Board members:

Motions for the appointment of directors are submitted by the Board of Directors to the shareholders meeting and shall be subject to a favorable opinion issued by the Corporate Governance, Appointments and Remuneration Committee. In the case of independent directors, it is the Corporate Governance, Appointments and Remuneration Committee that proposes their appointment.

The Board, upon submitting a non-binding proposal to the Corporate Governance, Appointments and Remuneration Committee, can grant the distinction of honorary Board Member to those members who have served on the board for more than 25 years and who, in consideration of their merits and extraordinary dedication, are deemed deserving of this

position after having ceased to serve on the board. This is an honorary position and honorary Members are therefore not members of the Board.

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 Corporate Governance, Appointments and Remuneration Committee, who will assess the performance of the directors over their previous mandate.

Members shall maintain their posts for a term of five years and may be re-elected.

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 an owner-director 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, Appointments and Remuneration 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.

Evaluation of the performance and composition of the Board of Directors

Evaluation of the performance and composition of the Board of Directors is approved by the Board, after a report from the Corporate Governance, Appointments and Remuneration Committee (articles 5.3X and 25 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 Corporate Governance, 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, will be subject to approval at the General Shareholders' Meeting.

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 CNMV, 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 and annual financial reports will be submitted 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.

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 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

This department, integrated within the Finance and Administration Departments of the Group, is responsible for attending to the needs and receiving ana-

lysts and investors, explaining the evolution of the Group and providing other relevant information. Over one hundred private investors are received in the department's offices each year.

The department is also responsible for issuing the quarterly public reports, visiting investors in the principal global markets (London, New York, Paris, Milan, etc.) and attending conferences held by investment banks.

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 Investor Relations Department maintains a permanent relationship with analysts following PRISA, providing them with relevant and detailed information. One goal of the department is to increase the number of experts, currently at 20, 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 will also attend 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

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. Control of strategic risks.
- b. Operational risks.
- c. Risks control related to financial management.
- d. Risks control related to reliability of financial information.
- e. Risk control related to technological, IT and infrastructural systems

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

a. 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 Executive Committee.

b. 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, and the Operational Efficiency Committee, aimed at coordinating the different business units of the Group.

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 2010. Meanwhile, the Group's other business units frequently coordinate to evaluate and participate in new business opportunities, through the Transversal Business Committee.

c. Risk control related to financial management

■ *Finance Risks*

The Group's financial obligations as of December 31, 2010, are detailed in "Financial Debt" in PRISA's annual consolidated report for 2010. This Group's debt as of December 31 was 3,342 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 2010 the Group finalized its debt restructuring and reached a financing agreement with its banks that imply certain modifications in the terms and conditions of loans, such as a deal to extend maturity on the Group's bridging loan and several bilateral credit lines till May 19, 2013. The Group also restructured its debt through a capital increase which has led to an injection of 650 million euros. Both moves have reduced the financial leverage of the Group and given the Group more room for manoeuvre.

The management of short-term debt follows a detailed calendar of maturity dates 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.

■ *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 2010 the revenues and consolidated results from the International area and Latin America made up 28.07% and 20.21% respectively of the Group's overall figures.

PRISA is also exposed to exchange rate fluctuations since it maintains debts with financial entities in different countries. As of December 31, 2010, the weight of currencies other than the euro in the Group's debt was 1.36%.

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 2010 paper consumption made up 9.51% of the group's purchases.

d. Risk control related to reliability of financial information

The process implemented to manage and control financial and accounting information is based on:

- An adequate organizational structure that maintains a separation of functions in administrative and accounting procedures, which provides the basis for preparing financial and accounting information, as a means to mitigate risks of manipulation or fraud. Mention should be made of the function of the Group's Financial Management department, which assigns responsibilities and authority in the different areas involved in generating this type of information.
- Continual updating of financial information rules and systems.

Noteworthy in this respect is the initiative currently being carried out to integrate and homogenize all the information systems by means of a single information system for all the Group's business units. In previous years the Group's companies in Spain, the US, Colombia Mexico and radio stations in Argentina have participated in this system and in 2010 the system has been successfully implemented for publishing businesses in Argentina and Chile. The system will integrate all the other companies in the Group over the next few years.

A system to review economic and financial information regulated by manuals, instructions and internal rules (manuals for evaluation and accounting policies, instructions concerning procedures for closing accounts, annual calendar of economic and financial information, corporate accounting plan, rules for intragroup operations and consolidation), and compliance with internal control systems through in-house and external audits.

The adoption of a single financial information system, outlined previously, and a unified accounting procedure is aimed at facilitating the integration and reporting of financial information and its subsequent analysis and assessment, thus enabling all the companies to share a common financial language, so to speak.

e. Risk control related to technological, IT and infrastructural systems

The Department for Corporate Security and Safety

oversees the overall security of the Group, integrating the different security and safety-related areas – particularly physical and IT – and collaborating on data protection and work safety with the Secretary General and Human Resources Department. This global management system, increasingly reqq and IT systems security and the adoption of coordinated measures aimed at reinforcing the protection of privacy, integrity and availability of information and the Group's systems, as well as the safety of personnel, assets and installations. Activity in this area was significant over 2010 due to the establishment of a new externalized model for Information and Communications Technology.

In line with our Corporate Security Policy, the Group has continued to develop the Corporate Security and Safety Management System, established in 2008 in collaboration with an important technology firm and due to continue over the next few years. 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. 2011 will see the implementation of initiatives covering Data Loss Prevention, the so-called "balanced scorecard", as well as an automated early-warning system. In terms of physical safety, a number of risk analysis studies have been carried out on Group assets and in 2011 a contingency plan will be drawn up in this area. Nearing completion is the centralization of management at company headquarters, including a 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.

Stakeholders

Associations PRISA belongs to

In keeping with a commitment to an ongoing exchange of ideas in their relevant sectors, many of companies in 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 area, 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, Sogecable 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 3.

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 had long championed development campaigns promoted by NGOs such as Oxfam, Ayuda en Accion, UNICEF and the UNHCR, 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.

PRISA is also a member of the Spanish issuers association, Emisores Españoles, whose main objectives include: i) 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, ii) to contribute to the development of high standards of corporate governance, iii) to promote communication between companies and their shareholders and iv) 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 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.

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 PRISA, establishing priorities for Internal Au-

ditions 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 designate the head of the internal audit service, supervise the internal audit services and be cognizant of financial information processes and the internal control systems of the Company as well as all risk management systems. It will liaise with the auditors on relevant weaknesses within the internal control system and in the development of the audit.

Independence of the External Auditor

Designation of the External Auditor

One of the key functions of the Audit Committee is to propose an external accounts Auditor to the Board of Directors, to be approved in the General Shareholders' Meeting. The Audit Committee must also propose and report to the Board of Directors on the contractual conditions, professional scope and revocation or non-renovation, as the case may be, of External Auditors, in addition to supervising their compliance with the Auditing contract.

Relations with the External Auditor

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 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.

Application and scope of this Report

This Annual Report provides a faithful and transparent overview of the degree of development of the actions and commitments of Grupo PRISA in economic, social and environmental areas over the course of 2010, and is similar to those of the past four years.

The data presented here provide a broad summary of all the activities and operations of the Group in all the countries where it is present. Further, the data provided are either an aggregate of all the information at a Group level or broken down by company, depending on the nature of said information with the goal of making it more amenable to the reader.



PRISA self-declares a B GRI Application Level for its 2010 Sustainability Report

The Report contains information on the following companies and markets:

Just as in 2009, in producing this Report, we have followed the recommendations of the *Guide for the Creation of Sustainability Reports* from the **Global Reporting Initiative-TM**, a key international organization in Sustainability Reporting. The GRI-G3 Technical Protocols have been taken into consideration in the evaluation of data for our calculations, leading us to reformulate and combine some indicators found in the Guide, to improve clarity and adapt them to our activity.

In writing this report we have taken into account:

- Meetings under the supervision of the Communications Department to discuss the most relevant topics.
- The results of the internal audit on corporate social responsibility.
- Benchmarking from other companies in the sector, both national and international.

The information and results provided here refer to 2010, although in some specific cases, information from previous

Application and scope



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* Santillana collects information from Peru, Puerto Rico, Bolivia, USA, Paraguay, Uruguay, Ecuador y Republica Dominicana, in addition to these countries.

years has also been provided, as this illustrates the Group's evolution over time. It is to be hoped that this Report will satisfy all its readers and as always, we welcome comments and suggestions via our web page.

Guiding principles behind the Report

This Report provides reliable and balanced information on PRISA's endeavors to meet the challenges raised by social responsibility.

In keeping with the guidelines as set out by the Global Reporting Initiative-TM, the contents of this report reflect the following principles:

Materiality

The information should cover topics and indicators that reflect the organization's significant economic, environmental, and social impacts, or those that would substantively influence the assessments and decisions of stakeholders.

To meet this objective, the relevant data for the Group have been identified and categorized according to the established thresholds and the risks these pose for each of our companies.

Stakeholder Inclusiveness

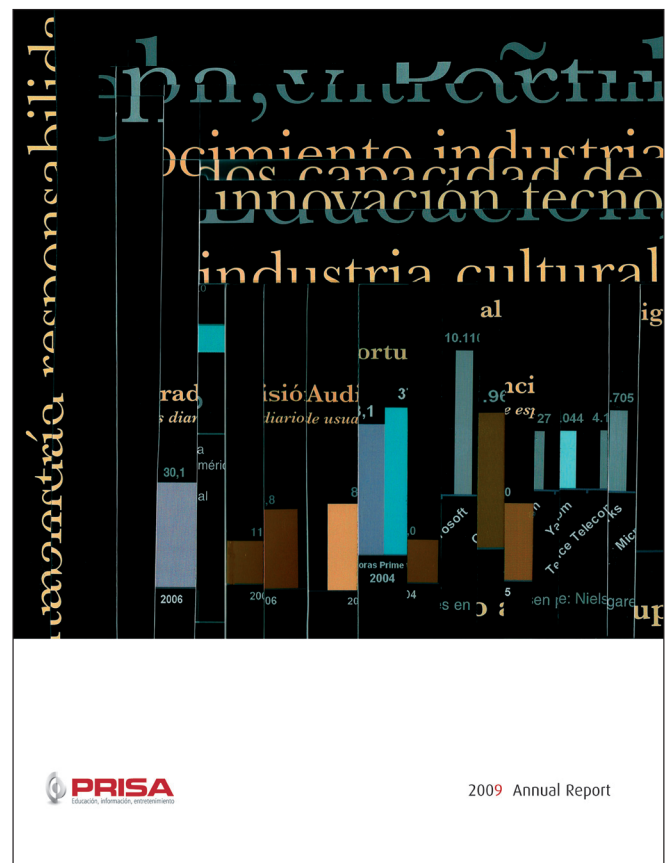
Stakeholders are entities or individuals that can reasonably be expected to be significantly affected by the Group's activities. The company should endeavor to satisfy the demands and concerns of these groups through the improvement and maintenance of the quality of its products and services.

Timeliness

This current report provides continuity to those presented in previous years. Worth mentioning is that there has been an ongoing interchange of information among the different companies of the Group over the course of the year.

Clarity

The report should present information in a way that is understandable, accessible, and usable by the organization's range of stakeholders. Information should be presented in a manner that is comprehensible to stakeholders who have a reasonable understanding of the



organization and its activities. Graphics and consolidated data tables can help make the information in the report, such as management and control mechanisms, as well as plans of action and commitments, accessible and understandable.

Reliability and transparency

Information used in the preparation of a report has been reliably and comprehensively gathered, recorded, compiled, analyzed, and disclosed in order to reflect the real situation of PRISA.

Significant changes over the period covered by this report affecting the size, structure and holdings of the company.

- PRISA and Indra signed a strategic agreement that will increase the technological level of the Group.
- PRISA signed an agreement with Liberty leading to a capital injection of up to USD 900 million.
- PRISA won the football broadcast rights war.
- PRISA and Telecinco formalized the integration operation of Cuatro and the acquisition of 22% of Digital +.
- DLJ South American took a 25% in Santillana, giving PRISA a cash injection of 279 million euros.
- PRISA embarked on its digital transformation.
- PRISA and Liberty confirmed 100 million more in commitments from institutional investors.
- Grupo Santillana reorganized its business model to strengthen its leadership and commit itself to the digital world.
- PRISA in negotiations to become part of the controlling stakeholders of *Le Monde*.
- PRISA agrees to eliminate the condition of the partial sale of Media Capital.
- PRISA's new shares began trading.

- PRISA decided to cease production of CNN+ and instead to create a new global news channel.
- PRISA, Telecinco, Telefónica formalize their alliance.
- PRISA TV sells its headquarters for 80 million euros and signs a 20-year lease.



