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PRISA, a global group

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



Present in 22 countries, PRISA reaches more than 52 million users through its global brands *El País*, 40 Principales, SANTILLANA and Alfaguara. As market leader in general-interest press, commercial and Pay TV, spoken-word and music radio, education and publishing, it is one of the Spanish-speaking world's largest 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 33 million unique users* (72 million unique browsers) worldwide, PRISA is at the forefront of multi-channel and multi-device content distribution. The Group has

embarked on an ambitious strategy of content distribution, offering products and services adapted to users' changing consumer habits through mobile phone devices, tablets, smart TVs, e-books and PSP games consoles. PRISA has its own Research and Development division, which is backed by the world's leading software operators.

* (Source: comScore, Dec 2012)

Mission, vision 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 liberties, equality and civil rights for all. All too aware of this responsibility, three decades on, this commitment remains as strong and vital as ever and now embraces Ibero-America.

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.
- Pluralism and 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 for 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 world leaders in the fields of education, news and entertainment in the Spanish and Portuguese-speaking

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



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, but also on learning more about each of our 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's **positioning** entails being the world's leading creator and provider of Spanish and Portuguese-language content in the fields of education, news and information and entertainment, thanks to its consumer-oriented multi-channel offer of high-quality products. **Our mission** is to improve people's quality of life and to contribute to the progress of society by offering goods and services that will enrich the lives of all consumers of our news and information, educational and entertainment products.

Our vision is to set the standard worldwide in matters of culture and education in Spanish and Portuguese.

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

- *People*: Everything we do revolves around people.
- *Creativity*: Creativity is our most basic tool in our ongoing drive to innovate.
- *Dedication*: Our dedication guarantees value, quality and excellence.

- *Integrity*: We see integrity as encompassing honesty, rigor, self-criticism, responsibility, independence and impartiality.
- *Pluralism*: We see pluralism as embracing freedom of expression, transparency and diversity.
- *Connectivity*: We are aware of the importance of being connected and being accessible in order to share and collaborate.
- *Security*: The new digital paradigm requires us to guarantee a secure environment in order to maintain our users' trust.

Social responsibility at PRISA

At PRISA we believe that our very business operations play a significant social role in the development of a democratic and sustainable 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 and content-through which we strive to raise awareness and inform the public of the issues facing society.

We believe that our relationships with our suppliers are key to our mission to act responsibly. Through all our suppliers we foster a distribution of wealth and the creation of real socio-economic and technological value. That's why our Suppliers Policy takes into account not only 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.
- Commitment 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 Code*, *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.

Commitment to Education

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

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

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

Responsible Entertainment

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

All too aware of the influence that our content might have 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.

Responsible management of the value chain

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

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

Using our *Guide to Relations with suppliers*, we evaluate not only economic, geographic and product and service-related factors, but also the suppliers' integrity and their degree of commitment to tax, labor, human rights and environmental obligations.

Our commitment to sustainable development has meant we've made significant headway in environmentally

sound management across all our companies, worldwide. Paper and cardboard, in different formats, is the consumer good used by the Group that has most potential environmental impact. We carefully manage the use of paper right across its lifecycle: from production to recycling.

Our commitment

Our commitment to society

PRISA has been signed up to the **UN Global Compact** since 2008, and is member of the Global Compact Spanish Network since May 2013. 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 2010 and 2011, the Spanish Network for the UN Global Compact paid tribute to the high level of implementation at PRISA of the Ten Principles that the UN Compact outlines for the advancement and integration of Corporate Social Responsibility policies in the management of companies. Our commitment remained as strong as ever in 2012 and we expect to continue receiving a positive evaluation from the organization.

Investors, meanwhile, recognize that PRISA is a company with responsible practices in terms of sustainability which is why the Company has been included in the **FT-SE4Good** since 2008, the international index aimed at measuring the performance of companies (30 in Spain) that meet globally recognized corporate responsibility standards. Once again this year, PRISA made it onto the index in recognition of its Corporate Social Responsibility policies in the areas of human rights, labor, the environment and anti-corruption.

Main achievements

Project Toyoutome

The most prominent initiative of 2012 has been the consolidation of the project **Toyoutome** as the framework concept encompassing a number of internal communication initiatives to integrate all business units, thus fostering entrepreneurial culture and a sense of belonging. This is a new, far-reaching initiative that completely changes the way people work at PRISA. The new organizational design promoted by the Group

requires a level of coordination and communication that is only possible thanks to the project **Toyoutome**, our way of understanding internal communication that is articulated through various communication components. These include a global communications platform, a digital trends blog and a daily tweet, an internal social network, a club providing advantages and benefits for employees, training on our own campus, an internal jobs portal, to name but a few.

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

During the first half of 2012 we focused on improving the performance and overall functionality of Toyoutome, and now, for the first time, the Group has a global collaborative work environment that acts as a channel of communication and interaction, and as a tool that brings people closer together.

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

Internal audit on corporate social responsibility

We continue to forge ahead with our action plans based on ongoing assessment and follow-up. Thus, in 2012, PRISA oversaw significant initiatives across three general fields of CSR: social, economic and environmental.

In 2012 we made significant progress in defining the Global Social Responsibility Policy with the firm objective of creating sustainable value for both PRISA and its stakeholders by championing sustainability in the Spanish and Portuguese-language media and education sectors, and by endeavouring to communicate our



FTSE4Good

message to society. This strategy, aimed at bringing greater dynamism to the different business units and Group Companies, is based on the mission, vision and values of PRISA. The strategy sees these three crucial elements as what sets our Group apart, and is supported by Corporate Governance, Senior Management and the Communications Department.

PRISA's Sustainability policy operates transversally through three main channels: the creation and distribution of content, responsible management and social and cultural initiatives. And all this under the umbrella of proactive communication through channels that foster both transparency and dialogue.

But such a policy would be all but useless without a specific timetable of action. A strategy must translate into action that will bear fruit in 2013. And already, over the course of the past year, we have presented the detailed plan for the period 2013/2015. Of the six proposed plans, three are already underway, notably the *Observatory for Responsible Action*, that will be the catalyst and driving force behind all our activities both within and outside the Company, and Debates PRISA, aimed at nurturing deep and permanent, ongoing reflection on journalism and education.

Most of these initiatives are detailed in the following chapters of the annual report, but at a global level, we should highlight the world's largest social mobilization campaign: *Earth Hour*, in which PRISA has been a key media partner since 2009.

Global campaign for awareness against climate change

PRISA threw its weight behind the global awareness campaign against climate change organized by the

WWF (formerly Adena), *Earth Hour*, on March 31. The initiative involved all the Group's companies in all countries where the Group operates. It is the largest mass public event that PRISA supports and it is an initiative that is very close to PRISA's heart. As a crucial news and cultural player in the Spanish and Portuguese-speaking worlds, the Group will continue to support the initiative in the future in keeping with our commitment to raising awareness in this area.

The initiative in 2012 mobilized more than 147 countries (12 more than in 2011) in more than 5,000 cities worldwide in order to show that collective action can effectively lobby governments to act against climate change.

The campaign took place throughout March by means of a countdown on PRISA Radio's stations, on programs on Canal+, in *El País* and *Cinco Días*, on all the Group's web pages and through SANTILLANA, thus helping to spread the word that we still have time to prevent climate change.

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

The day following the event, *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 almost 11 million euros across all the Group's media outlets.

Responsible communication

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

Noteworthy achievements include:

a. New management of Communications: In 2012, PRISA's Department of Communication consolidated the work begun in 2011 aimed at changing and modernizing the management of Group

communications, strategically focused on employing the most advanced technologies in order to position PRISA as a consumer-oriented company and focused on facilitating the Group's expansion in international markets, particularly the US, Brazil and Mexico.

This shared project, led by the Directorate of Corporate Communications, made up of the new team of communications directors from all the Group's business units, aims to guarantee and promote PRISA as a socially responsible business Group. It also aims to integrate PRISA's commitments as a socially responsible Group with its commercial operations and its relations with stakeholders and social and environmental issues.

b. Setting up internal and external channels of communication in the area of social responsibility:

The corporate web site, prisa.com, has a special section on social responsibility that is constantly being updated. The Communication and Corporate Marketing department also periodically informs the media of all initiatives, and employees receive updates via the intranet service Toyoutome. Departments also attend meetings and forums on corporate social responsibility.

2012 also saw the launch of PRISA's Social Responsibility Observatory, a body representing all business units and whose chief responsibility is to



develop and oversee an overall, transversal strategy in the area of social responsibility, while at the same time channeling, supporting and coordinating the strategy of each of the companies and businesses units.

c. Informing everyone in the organization of PRISA's commitment to sustainability and to involve them completely: The Annual Report has a role to play in raising awareness on corporate social responsibility and sustainability at an internal level. And all our stakeholders are becoming increasingly aware of these issues. The WWF campaign, *Earth Hour*, was a significant turning point in raising awareness and taking full advantage of the synergies existing between the different companies at a global level. The business units were enthusiastic about this initiative, which will form the basis for future projects of a similar nature.

PRISA has set out the framework for formulating a single comprehensive CSR policy, which is based on three main areas.

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

Transparency

In 2012 PRISA completed the **Code of Conduct**, approved in 2011, with a new code specifically focused on the Web 2.0 environment applicable to all employees of the business units and companies belonging to the Group, and which provides some basic guidelines for good use of web tools as well as a protocol for dealing with crisis situations. These principles will help communicate and foster Company values, at both a

personal and professional level, with regards to the use of the Web 2.0 environment.

PRISA has a specific strategy to ensure and safeguard the privacy of its readers and users. Each of our services and products are designed in accordance with current legislation and best practice in order to provide maximum protection. Measures taken include the implementation of transparent privacy policies, while data collection and management is in strict accordance with current legislation. The use of personal data is at all times strictly related to the services subscribed to, and there are tools for the control of all data held by PRISA. The Chief Privacy Officer is responsible for overseeing policy in the business units.

The privacy of our customers' data is a top priority for the Group. The user has total control over all their data. It may not be shared with third parties, without the express permission of the user, who at all times has the option to modify his or her data and unsubscribe.

Corporate Structure and Good Governance

Board of Directors	Executive Delegate Committee
<p>Honorary President Ignacio Polanco Moreno</p> <p>Executive Chairman Juan Luis Cebrián Echarri</p> <p>Vice-president Manuel Polanco Moreno</p> <p>CEO Fernando Abril-Martorell</p> <p>Board Members Juan Arena de la Mora Nicolas Berggruen Martin Franklin Arianna Huffington José Luis Leal Maldonado Gregorio Marañón y Bertrán de Lis Alain Minc Agnès Noguera Borel Borja Pérez Arauna Emmanuel Roman Harry E. Sloan Ernesto Zedillo Ponce de León</p> <p>Non-member Secretary Antonio García-Mon</p> <p>Non-member Deputy Secretary Teresa Díez-Picazo Giménez</p>	<p>Chairman Juan Luis Cebrián Echarri</p> <p>Members Fernando Abril-Martorell Martin Franklin Gregorio Marañón y Bertrán de Lis Alain Minc Manuel Polanco Moreno</p> <p>Non-member Secretary Antonio García-Mon</p>
<p>Audit Committee</p> <p>Chairman Juan Arena de la Mora</p> <p>Members Agnès Noguera Borel Alain Minc Emmanuel Roman</p> <p>Non-member Secretary Antonio García-Mon</p>	<p>Corporate Governance Committee</p> <p>Chairman Ernesto Zedillo Ponce de León</p> <p>Members Arianna Huffington José Luis Leal Maldonado Agnès Noguera Borel</p> <p>Non-member Secretary Antonio García-Mon</p>
Appointments and Remuneration Committee	
<p>Chairman Gregorio Marañón y Bertrán de Lis</p>	<p>Members Martin Franklin Borja Pérez Arauna</p> <p>Non-member Secretary Antonio García-Mon</p>

Formal policies for Good Governance

The principal objectives of Corporate Governance for the Group 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 expertise. It has developed a corporate communications policy providing market agents with the tools and information necessary for analysis and investment decision-making.

The Company has a Corporate Governance Committee, whose functions include the overseeing and improving the Company's corporate governance strategy. The Committee has proposed a range of measures aimed at improving the corporate governance of the Company, which are now being implemented by the Board of Directors and all other committees.

Internal Company regulations

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

- *General Shareholders' Meeting Regulations:* These regulate the principal norms for the convocation and conduct of General Shareholders' Meetings, establishing that the "General Shareholders' Meeting is the supreme sovereign body of the Company and compliance with its decisions is obligatory for all shareholders".
- *Board of Directors Regulations:* The purpose of these regulations is to determine the principles on which the actions of the Board are based, the rules of its organization and the functions and norms of conduct of its members.
- *Internal Code of Conduct for Securities Market Issues:* This establishes the Codes of Conduct for issues related to securities markets. It includes regulations for the timely and accurate communication of company information to the markets, in order to avoid the improper use of inside information and to resolve possible conflicts of interest.

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

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

- *Code of Conduct:* The Code of Conduct is generally applicable to all PRISA employees.

The Annual General Meeting held on June 30, 2012 approved an amendment to the Company Articles of association and the Regulations of the General Shareholders' Meeting, so as to be fully compliant with current legislation and also as a result of the resolutions adopted at the above mentioned shareholders' meeting in favor of a global operation that had as its aim and purpose to strengthen the equity and treasury of the Company.

Furthermore, the Board of Directors Regulations were amended to adapt to the new organizational structure of the Company, enabling, essentially, that the presidency of the Executive Delegate Committee be assumed by the Executive Chairman of the Board.

Corporate Governance Recommendations

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

Furthermore, since our common and convertible shares are classified as American Depositary Shares (ADS) on the New York Stock Exchange, PRISA has acquired a

number of new legal obligations with regards to filing information with the US markets. Specifically, PRISA is now considered a foreign private issuer under the rules and regulations of the SEC and is obliged to comply with the requirements of U.S. federal securities laws applicable to public companies, such as the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002, as well as those governing corporate governance at the NYSE.

Criteria for actions by the Board of Directors

As indicated in the Board of Directors Regulations, the actions of the Board must be subject to the following criteria: compliance with corporate purpose, 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 and audio-visual), will adopt the necessary measures to ensure fluid communication with the plurality of social interests and concerns. To this end, the Group's media outlets will keep channels of communication permanently open to these interests.

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

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

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

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

Appointments and Resignations

Specific procedures regulating executive appointments

Company directors are appointed by the Executive Chairman or CEO who are granted this authority under Articles 10 and 11 of the Board of Directors Regulations. The Appointments and Remuneration Committee reports on all appointments and resignations, retirements and removals of directors (Article 25 Board of Directors Regulations).

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

Composition of the Board

In July 2012 Ignacio Polanco Moreno presented his resignation as President and Chief Executive and Diego Hidalgo Schnur also resigned as a director of the Company.

In view of these resignations, the Board structure was reorganized: Juan Luis Cebrian, Manuel Polanco and Fernando Abril Martorell assumed the positions of Executive Chairman, Vice-President and CEO, respectively, and the Board delegated all powers, apart from those that may not be delegated, upon Mr. Cebrian and Mr. Abril-Martorell. Meanwhile, in order to cover the vacancies left by the resignation of Ignacio Polanco Moreno and Diego Hidalgo Schnur, the Board appointed by cooptation the independent directors Jose Luis Leal and Arianna Huffington. The Board also appointed Mr. Ignacio Polanco Moreno as Honorary President of PRISA.

The structure of the Executive Delegate Committee and other Committees was also reorganized.

At the meeting of the Board of Directors of February 27, 2013, Iñigo Dago Elorza resigned as secretary of PRISA's Board of Directors, with Antonio García-Mon Marañes subsequently being named as Non-member Secretary.

Meanwhile, at the meeting of the Board of Directors of May 8, 2013, Carlos Palacios Ulecia resigned as Deputy Secretary of PRISA's Board of Directors, with Maria Teresa Diez-Picazo Giménez replacing him in the post.

The current composition of the Board is reflected in the accompanying table.

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

The Board is currently made up of 16 members, including three executive members, four directors representing controlling shareholders, eight independents and one outside director. In accordance with U.S. law (which only contemplates the position of executive and independent Board members), the Board consists of four executive members and 12 non-executive, independent directors.

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

Executive Delegate Committee and Board of Directors Committees

PRISA's Board has established a number of committees: an Executive Delegate Committee, an Audit Committee, a Corporate Governance Committee, and an Appointments and Remuneration Committee.

Details of the composition and responsibilities of the Executive Delegate Committee and of the other committees, as well as meetings held over the course of 2012, are available in the ACGR.

The Audit Committee, the Corporate Governance Committee, and the Appointments and Remuneration Committee have all published reports describing their functions and activities over 2012.

Appointing and removing board members

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

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

Motions for the appointment of directors are submitted by the Board of Directors to the shareholders' meeting and the appointment decisions adopted by said body by virtue of the powers of co-optation legally attributed thereto, will be in accordance with the provisions of this Regulation and shall be preceded by the appropriate proposal or report from the Appointments and Remuneration Committee or the Corporate Governance Committee, as applicable, and shall not be binding.

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

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

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

- *Re-election of directors:* Motions for the reelection of board members are submitted by the Board of Directors to the shareholders meeting and shall

		Status	Delegate Committee	Audit Committee	Appointments and Remuneration Committee	Corporate Governance Committee
Executive Chairman	Juan Luis Cebrián Echarri	Executive Director	x			
Vice-president	Manuel Polanco Moreno	Executive Director	x			
CEO	Fernando Abril-Martorell	Executive Director	x			
Members	Juan Arena de la Mora	Non-executive Independent Director		x		
	Nicolas Berggruen	Directors representing Controlling Shareholders				
	Martin Franklin	Directors representing Controlling Shareholders	x		x	
	Arianna Huffington	Non-executive Independent Director				x
	José Luis Leal Maldonado	Non-executive Independent Director				x
	Gregorio Marañón y Bertrán de Lis	Non-executive Independent Director	x		x	
	Alain Minc	Non-executive Independent Director	x	x		
	Agnès Noguera Borel	Directors representing Controlling Shareholders		x		x
	Borja Pérez Arauna	Directors representing Controlling Shareholders			x	
	Emmanuel Roman	Non-executive Independent Director		x		
	Harry E. Sloan	Non-executive Independent Director				
	Ernesto Zedillo Ponce de León	Non-executive Independent Director				x
Non-member Secretary	Antonio García-Mon					

be subject to a favorable opinion issued by the Appointments and Remuneration Committee, who will assess the performance of the directors over their previous mandate.

- *Term:* Members shall maintain their posts for a term of five (5) years and may be re-elected. The appointment of directors by co-optation is subject to ratification by the first General Meeting following his or her appointment.

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

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

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

- When they are subject to any of the legally established prohibitions or grounds for disqualification.
- When based on a criminal offense they are indicted in ordinary felony proceedings or have been convicted in a misdemeanor proceeding.
- When they have received a serious reprimand from the Board of Directors for failure to fulfill their obligations as directors.
- When the reasons for which they were appointed have ceased to exist and, in particular, when an independent director or a director representing controlling shareholders loses his or her respective status as such.
- When in the course of a year they fail to attend more than two meetings of the Board of Directors, the Delegate Committee or any other Committee on which they sit, without just cause.
- When their remaining on the Board is deemed inappropriate, under the terms of Article 33.5

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

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

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

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

Evaluation of the performance and composition of the Board of Directors

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

Information

The Company's Annual Corporate Governance Report (ACGR) provides detailed information on the shares held by the board members in the Company, the posts they hold in the different PRISA companies, as well as posts and stakes held in other companies, analogous or complementary to the Group's mission. The ACGR also provides information about the overall remuneration of Board members (without prejudice to the more detailed and individualized information as reflected in the Remuneration Policy Report, as described below), on the guarantee or protection clauses of which they are beneficiaries and on transactions which they may be party to.

Transparency

Remuneration Policy

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

In 2012 the Company prepared a remuneration policy report with details of individual directors' remuneration over the previous year. This report was submitted to a vote, on a consultative basis and as a separate item on the agenda at the Annual General Meeting of Shareholders held on June 30, 2012, in compliance with the Sustainable Economy Act (Ley de Economía Sostenible -which introduced Article 61 ter in the Securities Exchange Act regulating the Remuneration Policy Report) and was approved with 89.75 % of the votes in favor.

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 "total overall remuneration" of executives.

Transparency of Information

Providing relevant information to the markets

The Company will provide the securities markets, through the CNMV and SEC, with relevant information



immediately and prior to its communication by any other means. This information will also be posted on the PRISA website.

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

Corporate website

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

The corporate website provides complete information about the activities and geographical presence of the Group as well as the social and cultural initiatives and 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 and the SEC,

Corporate statutory norms and regulations, information about the Board of Directors, the Executive Delegate Committee, the Audit Committee, the Corporate Governance Committee, and the Appointments and Remuneration Committee. Information about Shareholders' Meetings as well as the Corporate Governance Reports issued by the Company are also available online.

Investor and Shareholders Relations Department

The Investor Relations Office maintains ongoing and transparent communication with investors and analysts, meeting their demands for objective information on Company activities and business strategy and informing them of the performance of the different business areas and their strategic goals.

In the year 2012, PRISA met with more than 140 institutional investors, attended 7 conferences organized by investment banks, and participated in road shows in major financial centers (London, New York, Madrid and Paris, among others).

During 2012, the Company has encouraged closer engagement by investors with the management teams of various businesses such as PRISA TV and SANTILLANA in order to provide them with a better understanding of the evolution of each of these operations.

Also, the Investor Relations Office has maintained fluid, daily communication with a group of 17 analysts who closely monitor company value.

The Investor Relations Office has worked closely with the CFO in the financial area throughout the different processes involved in recapitalization, which was approved at the General Meeting of Shareholders in June 2012.

PRISA Group Communications with institutional shareholders is channeled through:

1. The Investor Relations Department, which receives daily calls and visits seeking information and details of business performance.
2. The website, which has a section dedicated to shareholders and investors that includes all financial information, relevant facts, stock information, capital, official records, etc.
3. Via email to ir@prisa.com, which answers queries from stakeholders (private and institutional shareholders, etc.).
4. Quarterly conference calls are conducted by the CEO and CFO with investors and analysts in order to give a fuller explanation of the Group's quarterly results, previously reported to the CNMV.
5. Through road shows in different financial centers.
6. Through conferences organized by investment banks.
7. Meetings are held with sales teams from various investment banks.
8. We organize regular breakfast meetings with institutional investors.

In 2012, we used all these communication channels, thereby enabling us to maintain excellent two-way communication with all relevant stakeholders.

For the year 2013 the challenge is to continue to improve levels of transparency of all the information that we communicate, thereby providing all investors with the analytic tools they might need to make decisions.

The aim is to broaden the scope of stakeholders, both investors and analysts, not only in Spain but also abroad.

Shareholder Services Department

Reporting to the General Secretary, this Department manages all contact with individual shareholders, attending to their queries and requests for information, either in person at our office, or by phone, fax, post or email.

This department also deals with requests for information from the general public on a range of issues relating to the Company.

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 control systems

General description of the Company and/or its Group's risk policy

PRISA's organizational structure and management processes are designed to compensate for the different risks that are inherent in its activities. Risk analysis and control are framed within the Group's management processes and, as such, involve all of the members of the organization in a supervisory environment that is complemented with preventive measures intended to ensure that Group objectives are fulfilled.

The Group continuously monitors the most significant risks that may affect the principal business units. To do so it uses a *Risk Map* as a tool that graphically represents

the risks inherent in the Group, that is used to identify and assess risks that affect the development of the different business units. The parameters evaluated in each risk to define their location on the risk map are the impact and the probability of occurrence of that risk. The identification of these risks and the operative processes in which each of the risks considered are managed are carried out by the General Managements of the business units, and added and homogenized by the Group's Internal Audit Office, which periodically reports the results to the Audit Committee. The respective managements of the business identify both those responsible for risk management and action plans and associated controls.

The principal risks considered within the framework of the Group's risk management policy can be classified in the following categories:

- a. Strategic risks.
- b. Business process risks.
- c. Financial management risks.
- d. Control of Risks Derived from the Reliability of Financial Information.

Control systems in place to evaluate, mitigate or reduce the principal risks of the Company and its Group:

Control of strategic risks

The Chairman and the CEO are responsible for the day-to-day management of the Group, without prejudice to the general supervisory functions of the Board of Directors and its Executive Committee, to which all powers that may legally be delegated have been granted.

By authority of the Chairman and the CEO, Group management determines the Group's strategic plan, defining the objectives to be met for each business area, developmental goals and growth rates, based on both national and international market conditions, taking into consideration in those plans the appropriate risk levels for each business and market, based on the maturity and of the Group's positioning. The Group's general policies and strategies require the Board of Directors' prior authorization, mainly the strategic or business plan, as well as management objectives, the annual budgets and investment policies.

Compliance with the Strategic Plan and budgets are review periodically, analyzing the degree in which they are being fulfilled, evaluating deviations and proposing corrective measures. Managers from all business units are involved in this process, as well as the general and functional committees that issue their reports to senior Group management.

Control of business process risks

To develop and supervise business activity, the Group relies on a decentralized organization divided into specialized business units with coordinating entities such as the Management of Business Committee, which carry out analysis and supervisory functions with respect to the evolution of business activities, as well as the operational environment and problems of the business units.

The transactional business risks, as well as operational, commercial, legal, fiscal and other types of risks are monitored by the respective organizations of the business units, with supervisory mechanisms in place for each at the corporate level:

- The risk inherent in the Group's operations in sectors highly regulated such as radio and television that, generally are presented in temporary administrative concession or license, and that in some countries contemplate limitations on ownership and transfer of companies in these sectors, is evaluated by the General Managements of the respective business units and at corporate level supervised by General Secretariat.
- Likewise, the risks associated with reliance on Group income macroeconomic cycle, mainly by advertising and circulation revenue for newspapers, are continuously monitored by the Commercial Managements of the business units, and by a specialized Advertising Committee, that evaluates the adequacy of the supply of services and products to customer requirements. In that regard, we should underscore that, in comparison with other companies in the sector, Group revenue is less dependent on advertising commercial cycles due to the SANTILLANA publishing business and, above all, the pay television audiovisual business, which show periodic and recurring fluctuations.

- In this regard, the risk on Pay TV revenues, which depends on the capability to offer audiovisual premium contents, in particular the sports rights, and mainly soccer competitions are managed by the General Audiovisual Management.
- En relation to the risks related to the products and services adaptation, changes over the distribution channels, or technological changes, are assessed in the Digital Committee, formed by the Digital Development Managers of the Group and coordinated by PRISA's digital area.
- Otherwise, Tax Management supervises the compliance of the Tax requirements in every of the geographic and business segment where the Group operates, and manages the potential risk of different interpretation of the laws that could be made by the Tax Authorities in each case, and the risk of recoverability of the tax assets.
- In addition the Committee of Contents coordinates the different business units that analyze business opportunities as well as joint actions.

Control of financial management risks

■ **Financing risks**

The Group's financial obligations are described in Note 12, "Financial Debt" in PRISA's 2012 Consolidated Annual Report. At 31 December 2012 the Group's bank borrowings amounted to 3,072 million euros.

In that regard, the Group's debt level involves certain payment obligations, interest payments and amortization of principal, as well as, derived from the financing contracts undertaken, compliance with a certain financial ratios and some operational limitations.

The level of indebtedness increases the vulnerability to the economic cycle and the market trends, and reduces the capability of the Group to afford new investments to adapt to the changing business environment.

For the risk management described, the Group performs actions in order to reduce its financial debt, attend its financial obligations and strengthen its

capital structure. In this regard during 2012 the Group has issued a share-convertible bond for the amount of 434 million euros, the dividend for the class B shares has been modified, so it can be satisfied with cash, class A shares or a combination of both, and the main PRISA shareholders had converted 75 million of warrants.

Concerning the management of its short-term financial obligations, the Group envisions strictly following the maturity schedule for its financial debt, and financial ratios set forth in the financing agreements, as well as the evolution of revenues, in particular advertising and newspaper distribution revenues, due to its negative evolution and negative impact on cash flows and results, in addition to the availability of lines of credit and other means of financing that will enable it to cover its short, medium and long-term cash needs. In that regard, the Group maintains a centralized treasury management system for the Spanish subsidiaries, excluding the Pay TV subsidiaries controlled by the Treasury Account Committee that monitors the Group's expenditures weekly, as well as making periodic consolidated financial forecasts that have the objective of optimize available resources to meet the financial needs of each business and to service the debt.

Additionally the Capex Committee reviews monthly all the new investments over 30,000 euros for all business units.

■ **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. In that regard, the Company, as far as credit facilities are available, takes out contracts to cover interest rate risk, basically by means of contracts that ensure maximum rates of interest.

■ **Exposure to exchange rate risks**

The Group is exposed to exchange rate fluctuations, basically due to financial investments in American companies, as well as income and profit from those investments. During 2012 revenue from Latin America accounted for 26.72 % of the Group's consolidated income.

In that regard, the Group is exposed to potential variations in the exchange rates of the different currencies in which it holds debt with financial institutions and international suppliers of television content for the acquisition of audiovisual rights. At December 31, 2012 the weight of non-euro currencies with respect to total Group financial debt is not significant.

In this context, and with a view to lessening this risk, as far as there are available credit facilities, based on its forecasts and budgets the Group maintains risk-coverage contracts to offset exchange rate variations (basically exchange risk insurance, forwards and currency options).

■ **Exposure to risks related to the price 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 printed media and edition of books. 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 in the mid-term. In 2012 paper consumption represented 2.70 % of the Group's total operational expenditure excluding amortization expenses, provisions and impairments.

Control of risks derived from the reliability of financial information

During fiscal year 2011 the Group has implemented a system of internal control over financial reporting that meet with the requirements established in the section 404 of the Sarbanes-Oxley, mandatory for the Group since that PRISA shares traded in the New York Stock Exchange. The identification of the risks over financial reporting, control activities, that include those relating to the general controls of information technology, and monitoring of the control system are described in the Annex to the Annual Corporate Governance Report, in paragraph "Description of the main characteristics of internal control and risk management in relation to the process of issuance of the financial information".

Main characteristics of internal control and risk management in relation to the process of issuance of the financial information

The system of internal control over financial reporting of the Group is based on the general framework

established by COSO. The methodology of the internal control model is to cover the requirements established by section 404 of the Sarbanes-Oxley, mandatory for the Group since that PRISA shares traded in the New York Stock Exchange. PRISA certified for the first time in the fiscal year 2011, according to the Sarbanes-Oxley, the proper functioning of its system of internal control over financial reporting, on which the Group's external auditors issued an unqualified opinion on the effectiveness.

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

Control environment

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

The Board of Directors of PRISA has assigned one of its functions, as set out in Article 5.3 of Board, pre-approval of the policy of control and risk management and periodic monitoring of internal information systems and control. Also, in accordance with the provisions of that article of the regulation, the financial information must be approved by the Board of Directors. In this regard, the Board of Directors is assisted, to the development of these functions, with the Audit Committee of PRISA. Among the basic responsibilities of the Audit Committee, as defined in the Regulations of the Board, are monitoring the effectiveness of internal control systems of the Company, and risk management systems and the preparation and presentation of regulated financial information, in particular the annual accounts and quarterly financial statements that the Board must provide to the markets and their supervisory bodies.

In addition to monitoring the system of internal control over financial reporting (hereinafter ICFR), that perform both the Audit Committee and the Board of PRISA, the effective implementation of internal control model is the responsibility of the CEO and the CFO of PRISA, as well as the CEOs and CFOs of the Group's business units involved in the preparation of financial information which forms the basis for the preparation of financial statements of the Group.

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

The Directorate of Organization and Human Resources, under the CEO, is responsible for the design, implementation, revision and updating of the Group's organizational structure. The Group's business units have a distribution and definition of tasks and functions in the financial areas, which have job descriptions for key roles in these areas, as well as clearly defined lines of responsibility and authority in the preparation process of financial reporting.

In addition, the Direction of Organization and Human Resources coordinates and monitors the internal procedures of the Group companies, and the degree of documentation, updating and disseminating the data.

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

The Code of Conduct of the Group, approved in fiscal year 2011 by the Board of Directors establishes the general guidelines that should govern the conduct of Rush and all Group employees in the performance of their duties and in their commercial and professional, acting in accordance with the laws of each country and respect the ethical principles commonly recognized. The Code of Conduct has been communicated to all employees and is also available on the Group's global intranet.

The values and principles that should guide the actions of the Group's employees are integrity, honesty, rigor and dedication in carrying out their activity, responsibility, commitment and transparency, pluralism and respect for all ideas, cultures and people, creativity and innovation in business development, accountability, efficient and sustainable, generating value for shareholders and for the Group.

The standards of conduct in relation to financial reporting are aimed at transparency in the development and dissemination of financial content information, both internal communication within the Group and externally, to shareholders, markets and regulators. Likewise, also sets performance standards requiring that all

transactions are accurately and clearly reflect the systems and financial statements of the Group.

Requests, incidents and queries that arise regarding the interpretation and application of the Code of Conduct are managed by the Directions of Human Resources Group, and ultimately, Secretary-General reports regularly to the Corporate Governance Committee for monitoring and compliance standards by employees. The Corporate Governance Committee performs an annual report on the evaluation and the degree of compliance of the Code of Conduct, which are forwarded to the relevant government bodies PRISA.

Whistleblowing channel

PRISA has a mailbox for receiving complaints, retention and treatment of complaints regarding accounting, internal controls and other auditing matters of the Group. This is a communication channel between confidential and anonymous employee of the Group and the Audit Committee. Additionally, there is a confidential complaints box for others related to the Group.

The complaints are channeled through an email address qualified to do so and are received by the Chairman of the Audit Committee, which determines the resources, methods and procedures for the investigation of each complaint.

Risk assessment over financial reporting

In the risk assessment over financial reporting of PRISA Group applies a top down approach based on the Group's significant risks. This approach starts with the identification of significant accounts, are those in which there is a reasonable chance of containing an error that, individually or aggregated with others, have a material impact on the financial statements. To determine the importance of an account in the consolidated financial statements, the PRISA Group considers both quantitative and qualitative factors. The quantitative evaluation is based on the materiality of the account, and is supplemented by qualitative analysis that determines the risk associated with depending on the characteristics of transactions, the nature of the account, the accounting and reporting complexity, the probability

of generated significant contingent liabilities resulting from transactions associated with your account and susceptibility to errors or fraud losses.

In order to perform a full risk assessment, this analysis is performed on each business group, as they primarily generate financial information that serves as the basis for preparing consolidated financial statements of the Group. The risk profile of each business unit is determined by the contribution of it to the consolidated financial statements, and assessing the risks specific to what you consider, among other factors, the nature of their activities, centralization or decentralization of operations, their specific risks, the existence of errors or significant incidents reported in previous years, the risks specific to the industry or the environment in which it operates and the existence of significant judgments or estimates in accounting principles applied.

For each of the business units considered significant, identify the most important accounts. After identifying significant accounts and disclosures at the consolidated level and in each business unit, we proceed to identify the relevant processes associated with them, and the main types of transactions within each process. The objective is to document how key relevant processes transactions are initiated, authorized, recorded, processed and reported.

For each account are analyzed controls that cover the assertions to ensure the reliability of financial reporting, ie that recorded transactions have occurred and pertain to that account (existence and occurrence) of transactions and assets are registered in the correct amount (assessment / measurement), the assets, liabilities and transactions of the Group are properly broken down, categorized and described (presentation and disclosure) and there are no assets, liabilities, and significant transactions not recorded (completeness).

Among the significant processes is included determining the scope of consolidation of the Group, which conducts monthly Consolidation department, set in the Corporate Finance Department.

The system of identification and risk assessment of the internal control over financial reporting, formally

documented with this structure for the first time in the fiscal year 2011, has been updated in the year 2012, and is expected to update at least annually. The system is monitored, as mentioned above, by the Audit Committee and, ultimately, by the Board of Directors.

Control activities

The Group has documentation describing the flows of activities and process's controls identified as significant in each business unit and at corporate level. From this description identifies the key risks and associated controls. Documentation of control activities are performed on risk and control matrixes by each process. In these matrices the activities are classified by their nature as preventive or detective, and depending on the coverage of associated risk, as keys or standard.

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

In relation to the review and approval process of financial reporting, a phased certification process is developed on the effectiveness of internal control model of financial reporting. At a first level, the CEOs and CFOs of the business units and companies that are considered significant, confirm in writing the effectiveness of defined controls for critical processes as well as the reliability of financial information. Following these confirmations, and based on the report on the testing of controls performed internally, the CEO and CFO issued the certification on the effectiveness of internal control model over the Group's financial information in accordance with section 404 of the Sarbanes-Oxley. Also, in relation to this process, as mentioned above, there are procedures for review and approval by the governing bodies of the financial information disclosed to the securities markets, including specific oversight by the Audit Committee of significant risks.

As for the controls on the processes of systems or applications that support critical processes of business, these are intended to maintain the integrity of systems and data and ensure its operation over time. The controls referred on information systems are essentially

access control, segregation of duties, development or modification of computer applications and management controls over the outsourced activities. The Group annually reviews and evaluates controls and procedures associated with the major applications that support the critical business processes.

Information and communication

The Group had implemented control measures to ensure that the data backup of financial information is collected in a complete, accurate and timely basis. The organization has an accounting manual of the International Financial Reporting Standards applicable to the Group's businesses, defined by the Internal Audit Department, regularly updated and communicated to the different business units.

There is also a system of financial reporting with a single and homogeneous format, applicable to all Group units, which supports the financial statements and notes and disclosures included. In addition, the Group has control procedures to ensure that the information issued to the market includes enough disclosures to facilitate proper understanding and interpretation by users.

System's monitoring and operation

The Group has an internal audit unit, which supports the Group Audit Committee in monitoring internal control system over financial reporting.

The main objective of internal audit is to provide Group management and the Audit Committee of reasonable assurance that the environment and internal control systems operating within the Group companies have been properly designed and managed. For those purpose, during the fiscal year 2011 internal audit has coordinated and supervised the design and scope of the Group's internal control system over financial reporting, and subsequently has carried out the evaluation of the design and operation of control activities defined in the model, in order to certify its effectiveness in accordance with the Sarbanes-Oxley Act. Accordingly, internal audit supervises the design and scope of the internal control model over financial reporting of the Group, and subsequently carries out the evaluation of the design and operation of control activities defined in the model, in order to certify its effectiveness in accordance with the Sarbanes-Oxley Act.

For each of the identified weaknesses is done an estimation of the economic impact and probability of expected occurrence, classifying it according to them. Also, for all the identified weaknesses is defined a plan of action to correct or mitigate the risk and a responsible for the management.

The significant deficiencies and material weaknesses that would have been revealed as a result of the internal audit's assessment of the of internal control system over financial reporting, are reported to both the Audit Committee and the external auditor.

Additionally, ultimately, the internal control system is reviewed by the Group's auditor, who reports to the Audit Committee and gives its opinion on the effectiveness of internal control over financial reporting contained in the Group's consolidated financial statements, in order to record the financial information filed with the Securities and Exchange Commission.

As part of the monitoring activities of the internal control system carried out by the Audit Committee, described in the Regulations of the Board of Directors posted on Group's the website, it is included the following in connection with the preparation and publication of the financial information:

1. Review compliance with legal requirements and the correct application of generally accepted accounting principles, and report on the proposed changes to accounting principles and criteria suggested by management.
2. Know and monitor the effectiveness of the Company's internal control systems, and risk management systems and discuss with the auditors or audit firms significant weaknesses in internal control system identified in the audit's development.
3. Monitor the process of preparation and presentation of regulated financial information.
4. Review the issue and admission to trading of the securities of the Company prospectus and information on the financial statements quarterly and half to be supplied by the Council to markets and their supervisory bodies.

5. Review the prospectus for issue and admission to trading of the securities of the Company and information on the financial statements quarterly and half-year to be supplied by the Board of Directors to markets and their supervisory bodies.

Stakeholders

Associations PRISA belongs to

In keeping with a commitment to an ongoing exchange of ideas in their relevant sectors, many of companies in the Group 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, Cadena SER is a member of the Asociación Española de Radiodifusión Comercial (Association of the Spanish Commercial Radio Broadcasters). In the audiovisual sector, PRISA TV represents the Group in UTECA (TV and Audiovisual Content Union). The Group's newspapers are members of AEDE (Spanish Newspaper Editors Association). In Portugal, Grupo Media Capital is a member of the Portuguese Social Media Confederation, which brings together more than 600 companies from the press, radio and TV sectors. Further information is available on page ***.

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, and the Menéndez Pelayo International University.

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

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

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

PRISA is also a member of the Spanish issuers association, Emisores Españoles, whose main objectives include: 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, to contribute to the development of high standards of corporate governance, to promote

communication between companies and their shareholders and 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 PRISA's management 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 of 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 the Group, establishing priorities for Internal Audits and ensuring concurrence with the goals of the organization.

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

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

Independence of the external auditor

Designation of the external auditor

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

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

Relations with the external auditor

The Audit Committee will liaise with the external auditor so as to be informed on questions relating to the development of the audit and any other communications required by law and technical auditing standards.

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

or by persons or entities linked to them in accordance with the provisions of Law 19/1988 of July 12, Auditing of Accounts.

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

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

External auditor fees

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

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

