



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

**CORPORATE GOVERNANCE COMMITTEE**

**ANNUAL REPORT  
2015**

Madrid, February 2016.

## **CORPORATE GOVERNANCE COMMITTEE ANNUAL REPORT**

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### **I.- INTRODUCTION**

The Corporate Governance Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA, the Company or Grupo Prisa when the consolidated group is alluded) (hereinafter the Committee) issues this report concerning its performance and activities during the 2015 financial year in order for the Board of Directors, if deemed appropriate, to make available to the shareholders the information regarding the functions and activities carried out during 2015 by the Committee.

The Committee is governed by article 26 ter of PRISA Bylaws and by articles 26 and related of the Regulation of the Board of Directors. Both the Company By-laws and this Regulation have been reviewed and modified during 2015 in order to adapt them to the provisions of Law 31/2014, of 3 December, through which the Corporation Law is amended in order to improve corporate governance", such that certain recommendations from the Code of Good Governance for listed companies may be concluded, adopted by the CNMV in February 2015 (hereinafter "CNMV Good Governance Code") and also to implement certain improvements.

### **II.- COMPOSITION**

On December 31, 2015, the composition of the Committee was as follows:

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

Members:

Ms. Arianna Huffington.- External Independent Director.

Mr. Jose Luis Leal.- External Independent Director.

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

During the year 2015 there were no changes in the composition of the Committee.

In its composition the Committee complies with the requirements of applicable law and as provided in the internal rules of the Company: Article 26 of the Bylaws and article 26 of the Regulation of the Board of Directors provide that the Corporate Governance Committee be composed of a minimum of three and a maximum of five non executive directors, at least two (2) of them must be independent Directors and the Chairman shall be an independent director.

The Committee's secretary is the secretary to the Board of Directors, in accordance with the abovementioned article 26 of the Bylaws.

### **III. ACTIVITIES OF THE COMMITTEE IN 2015**

In accordance with the provisions of Article 29 of the Board of Directors Regulation, the Corporate Governance Committee has the following competencies:

- a) Regarding composition of the Board of Directors and the Board Committees:
  - i. Reporting on proposals for the appointment of independent Directors.
  - ii. Proposing the appointment of the Coordinating Director to the Board.
  - iii. Annually reviewing the classification of the Directors in order to prepare the Annual Corporate Governance Report.
  - iv. Reporting, together with the Appointment and Remuneration Committee, on proposals for appointment of the Chairman and Deputy Chairman of the Board, the Chief Executive Officer, the Secretary and Deputy Secretary of the Board of Directors, and the members of the Delegated Commission and the other Committees of the Board of Directors.
  - v. Reporting, together with the Appointment and Remuneration Committee, on proposals for removal of the Secretary and Deputy Secretary of the Board of Directors.
  - vi. Presenting a report to the Board of Directors for evaluation of the functioning of the Board and its Committees, also presenting an action plan correcting the detected deficiencies, if any, as well as performance of their functions by the Chairman of the Board, which evaluation will be addressed to the Coordinating Director, and by the chief executive of the Company.
- b) Regarding the corporate governance and corporate social responsibility strategy of the Company:
  - i. Promoting the Company's corporate governance strategy.
  - ii. Being apprised of, promoting, guiding and supervising the actions of the Company regarding corporate social responsibility and sustainability and corporate reputation and reporting thereon to the Board of Directors and the Delegated Commission, as applicable.
  - iii. Reporting and proposing to the Board of Directors the approval of the Annual Corporate Governance Report.
  - iv. Reporting and proposing to the Board of Directors the approval of the annual report on corporate social responsibility and, in general, issuing the reports and undertaking the actions that, regarding corporate social responsibility and sustainability, correspond thereto, and in addition, those required in accordance with the corporate governance of the Company or requested by the Board of Directors or its Chairman.
  - v. Monitor and evaluate the company's interaction with its stakeholder groups.

- c) Regarding the Company's internal rules:
  - i. Proposing approval of a Code of Conduct to the Board.
  - ii. Reporting on proposals for amendment of the Articles of Association, the Board Regulation, the Meeting Regulation, the Rules for the Functioning of the Electronic Shareholder Forum, the Internal Conduct Regulation, the Code of Conduct and any other governance rules of the Company.
  - iii. Examining compliance with the Board Regulation, the Internal Conduct Regulation and, in general, the company's governance rules, and making the proposals necessary for improvement.
- d) Other authority:
  - i. Reviewing the regulatory compliance policy and proposing all measures necessary to strengthen it.
  - ii. Annually approving a report on the functioning of the Committee and proposing publication thereof to the Board of Directors, upon the holding of the General Shareholders Meeting.
  - iii. Exercising all other powers assigned to the Committee in this Regulation.

During 2015 the Committee has met on five occasions and provided periodic updates to the Board regarding its deliberations and actions.

The following are the issues discussed during 2015 in subject areas pertaining to this Committee:

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

**i) Qualitative composition of the Board of Directors:**

Law 31/2014, amending the Corporation Law in order to improve corporate governance, introduced, among other new items, the definition of the different categories of Directors in its Article 529, which to date have been regulated by Ministerial Order ECC/461/2013.

With the Law coming into effect, the Company requested the expert legal opinion of an external advisor to assess the independence of its independent directors.

Taking into consideration the criteria laid down in Law 31/2014 and the result of the analysis conducted by the external advisor, this Committee proposed classification of the directors in the categories of: i) executive, ii) proprietary external, iii) independent external and iv) other externals, having reviewed such classification in the 2014 Annual Corporate Governance

Report. That classification will be reviewed in the 2015 Annual Corporate Governance Report again.

Regarding the director Mr. Claudio Boada Pallerés who was appointed as an independent director of the Company in December 2013, in light of the binding definitions contained in Article 529 k of Corporation Law on classification of directors, and taking into account that Mr. Boada has a significant relationship with HSBC (significant PRISA shareholder) as Senior Advisor in Spain and Portugal of that entity, the Committee proposed to the Board (upon the favourable report from the Appointments and Remuneration Committee) that the director Mr. Claudio Boada Pallerés' classification be changed to "other external", with effect from 31 December 2014, which is the closing date of the Annual Corporate Governance Report.

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

The Committee reported, together with the Appointment and Remuneration Committee, the appointment of Mr. José Luis Sainz Díaz as Chief Executive Officer of PRISA, following the ratification of that director by the General Shareholders Meeting held in April 2015 (whose co-opted appointment was agreed by the Board of Directors in July 2014).

The Committee has also reviewed the functions of the Coordinating Director to adapt them to the Law and to the recommendations of the "CNMV Good Governance Code" and has proposed that Mr. Gregorio Marañón continue serving as Coordinating Director, for the purposes of Article 529 f of the aforementioned Law, until the first General Shareholders Meeting is held which will take place in 2016.

## **iii) Composition of the Board Committees:**

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

- o Appointment of Mr. Jose Luis Sainz Díaz as a member of the Executive Committee following ratification of the appointment of Mr. Sainz as Chief Executive Officer of the Company.
- o Appointment of Mr. Jose Luis Leal as a member of the Audit Committee, to replace Mr. Juan Arena de la Mora who presented his resignation from his position of director in October 2015.

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

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

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

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

There are two activities which this Committee focussed its activity on throughout 2015: (i) reviewing the Company's internal regulations to adapt them to the legal reform and to the new recommendations on corporate governance, (ii) and the implementation of an internal compliance unit within the PRISA Group and review of the Criminal Prevention model.

#### Review of the Company's internal regulations

During 2015, the review process of the internal corporate governance standards of the company was finalised, which was launched in 2014, in order to adapt them to the Corporation Law reform adopted in December 2014 and to the new recommendations of the "CNMV Good Governance Code". The result of the aforementioned process is as follows:

- o At the PRISA Shareholders Meeting held on 20 April 2015 the Company By-laws and the Regulation of the Shareholders Meeting were amended, mainly in order to adapt them to the provisions of Law 2015/31, of 2014 December, through which the Corporation Law is amended in order to improve corporate governance", and also to implement other technical improvements, to incorporate certain good governance measures and to adapt these to the Company's the internal reality and common practices of corporate governance.

- o The Regulations of the PRISA Board of Directors were amended in February 2015 for the purposes stated in the preceding paragraph and were also amended in December 2015 to include certain aspects laid down in recommendations 22, 34 and 53 of the "CNMV Good Governance Code".

- o In addition, the Board adopted a "Policy regarding Communication with shareholders, institutional investors and proxy advisors" and a "Directors Selection Policy" in December 2015, both provided for in recommendations 4 and 14 of the CNMV Good Governance Code.

- o The Board, upon a joint initiative of this Committee with the Appointments and Remuneration Committee, in December 2015 also adopted two measures which comply with certain recommendations of the CNMV Good Governance Code: firstly, limit the transfer of shares received by the executive directors of the Company in payment of their compensation, such that the ownership of a number shares equivalent to twice the annual fixed salary cannot be transferred until at least three years have elapsed from the date upon which they were awarded (recommendation 62 of the CNMV Code) and, secondly, introduce clawback clauses in the contracts of executive directors, that enable the Company to claim the refund of the variable components of remuneration of the payment does not meet the performance conditions or if it has been paid based on facts subsequently found to be inaccurate (recommendation 63 of the CNMV Code).

- o Finally, the Board adopted the "PRISA Group Fiscal Strategy".

#### Criminal Prevention Model and creation of the Compliance Unit

In accordance with the work plan for 2015, the Committee continued to review the Company's criminal prevention model and promoted and actively participated in setting up a pyramidal compliance unit within the PRISA Group. In this respect and as a consequence of the Criminal Code reform coming into force in July 2015, a Compliance Unit was set up in PRISA, made up of the Secretary General of the PRISA Group (who chairs it), the PRISA Internal Audit Director and the PRISA Human Resources Director.

While that body reports to the Audit Committee, this Committee played an important role in its set up and implementation.

The PRISA Compliance Unit has autonomous and auditing powers, and is commissioned with the supervision of the workings and compliance of the company's criminal prevention model. The Compliance Unit shall assume the functions of the Criminal Prevention Body laid down in the Criminal Code, but its functions shall not be limited to criminal risk prevention, but rather it must also promote ethical behaviour of its employees and ensure compliance with the legislation applicable to the PRISA Group activities and with the internal regulations of the organisation. It also adopted Operating Regulations to regulate the functions and activities of this body.

Moreover, compliance units have been set up in the sub-holding companies of the main Business Units of PRISA Group: in Prisa Radio and Santillana at the end of 2015 and in Prisa Noticias, Prisa Bran Solutions and Media Capital, at the beginning of 2016.

Within the actions implemented by the Company in terms of criminal prevention and regulatory compliance, it must be noted that a new "PRISA Group Ethical Code" was also adopted in December 2015, which replaces the Code of Conduct that had been in force since 2011. This Code sets out the general ethical principles of the PRISA Group and the general standards of professional conduct.

## **ii) Corporate social responsibility, sustainability and corporate reputation:**

The Committee has analysed and favourably reported the Sustainability Report for the year 2014, which was approved by the Board of Directors.

## **iii) Annual Corporate Governance Report:**

The Committee proposed the Corporate Governance Report for the 2014 financial year to the Board of Directors.

Also, this Committee will propose the Corporate Governance Report for the 2015 financial year to the Board of Directors, which has been prepared in accordance with the new model approved by the CNMV Circular 7/2015, of 22 December.

**iv) Supervisión de la estrategia de comunicación y relación con accionistas e inversores, incluyendo los pequeños y medianos accionistas:**

The Committee assumed these functions with the reform of the Regulation of the Board of Directors implemented in December 2015.

As previously mentioned, it was also in December 2015 that the Board adopted the "Policy regarding Communication with shareholders, institutional investors and proxy advisors".

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

**i. Amendment of the internal governance rules.**

In the preceding section b), an account of the exhaustive reform of the Company's internal regulations in 2015 has already been given (Company By-laws, Regulation of the Shareholders Meeting, Regulation of the Board of Directors, Ethical Code and new policies assumed).

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

The Committee analysed, particularly, the compliance with the company's governance procedures during the 2015 financial year.

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

In compliance with the Internal Code of Conduct, the following actions were taken during the financial year 2015:

○ It has been updated the list of persons subject to this Internal Code of Conduct.

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

○ It has been received notice from all persons subject to the Internal Code of Conduct who have participated in transactions involving the purchase or sale of Prisa shares.

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

*Compliance with the Ethical Code*

As previously mentioned, the new Ethical Code was adopted in December 2015 and has been communicated to all PRISA Group employees.

Nevertheless, the Committee analysed the compliance with the Code of Conduct which was in force from December 2011 until the adoption of the Ethical Code.

This report was approved in Madrid at the meeting of the Corporate Governance Committee held on February 2016.

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