



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

CORPORATE GOVERNANCE COMMITTEE

**ANNUAL REPORT
2016**

Madrid, February 2017.

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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 2016 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 2016 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.

II.- COMPOSITION

On December 31, 2016, and also at the date of issuance of this report, the composition of the Committee is as follows:

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

Members:

Ms. Blanca Hernández.- External Independent Director.

Mr. John Paton .- External Independent Director.

Shk. Dr. Khalid Bin Thani Bin Abdullah Al-Thani.- External Director (representing significant shareholdings)

During the year 2016 the whole composition of the Committee has been renewed, with the exception of its Chairman:

- D^a Arianna Huffington resigned as director, and therefore ceased to be part of this Committee, in February 2016.
- Ms. Agnes Noguera Borel and Mr Jose Luis Leal Maldonado ceased to be part of the Committee following the restructuring of the Board of Directors which was addressed by the Shareholders' Meeting and by the Board of Directors on April 1, 2016. Since then, Mrs. Noguera is no longer director of the Company.
- Mr John Paton, Ms Blanca Hernández Rodriguez and Shk. Dr. Khalid Bin Thani Bin Abdullah Al-Thani joined this Committee on April 1, 2016D.

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 2016

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 2016 the Committee has met on seven occasions and provided periodic updates to the Board regarding its deliberations and actions.

The following are the issues discussed during 2016 in subject areas pertaining to this Committee:

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

Previously, it is stated that at the Ordinary General Meeting held on 1 April 2016, shareholders voted to restructure the Board of Directors according to the Company's needs and circumstances. As well as agreeing that the Board would have 17 members, certain directors were re-elected and a number of new appointments made. All the directors are highly qualified, have personal and professional integrity, and have competencies and skills in various fields and sectors of interest to the Company. This enhances the diversity of knowledge, experiences, background and gender of the Board.

i) Qualitative composition of the Board of Directors:

The Committee analysed the classification of the Board members as executive, proprietary, independent and other external directors on revising the 2015 Annual Corporate Governance Report, which it has once again done during the revision of the 2016 Annual Corporate Governance Report.

Further, in light of certain questions raised by the CNMV, the Committee and the Corporate Governance Committee performed a special review and ratified the classification of Alain Minc as an independent director, drawing on the legal opinion of an independent advisor.

ii) Appointment of independent directors:

The Committee reported the following proposals for appointment of independent directors:

- Re- election as directors of Mr. Alain Minc and Mr. Ernesto Zedillo and Mr. Ponce de León at the Shareholders' Meeting of April 2016.
- Appointment as directors of Mr. Glen Moreno, Mrs. Elena Pisonero Ruiz, Mrs. Blanca Hernández Rodríguez and Mr. Alfonso Ruiz de Assin Chico de Guzmán, at the Shareholders' Meeting of April 2016.
- Appointment by co-optation of the director D. Dominique D'Hinnin, in May 2016.

iii) Lead Director:

The Committee also proposed the appointment of Mr. Jose Luis Leal Maldonado as lead director for a period of two years and replacing Mr. Gregorio Marañón and Bertrán de Lis, given that after the re-election of the latter by the Ordinary Shareholders Meeting held on April 1, he ceased to have the status of independent director becoming "another external director".

iv) Composition of the Board Committees:

The Committee has reported, together with the Nomination and Compensation Committee, on the composition of the Delegated Commission, the Audit Committee and the Committee for Digital Change, on the occasion of the restructuring of the Board and the Committees that was carried out in April 2016.

Subsequently, in July 2016, the Committee reported favourably on the nomination of Mr. Waleed Ahmad Ibrahim AlSa'di as a member of the Audit Committee

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

In 2016 the Committee has coordinated the process for self-evaluation of the Board during 2015, informing it of the outcome.

Likewise, the Committee has coordinated the process for self-evaluation of the Board during 2016, and will inform the Board of the outcome of it and will propose the corresponding action plans to resolve the weaknesses detected in this self-evaluation.

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

i) Promoting the corporate reputation and corporate governance strategy and associated measures:

A review of the Company's crime prevention model was completed in 2016. This process was primarily conducted by PRISA's Compliance Unit which, while reporting to the Audit Committee, also involved this Committee concerning matters within its remit.

As part of the process, this Committee and the Compliance Unit have promoted the approval of a Gift Policy by the Board of Directors, and have also started work on and approved an Anti-corruption Policy and a Fair Competition Policy, which will be submitted soon to the Board of Directors for approval.

ii) Corporate social responsibility, sustainability and corporate reputation:

The Committee has analysed and favourably reported the Sustainability Report for the year 2015, which was approved by the Board of Directors which will be performed again regarding the fiscal year 2016 report.

iii) Annual Corporate Governance Report:

The Committee proposed the Corporate Governance Report for the 2015 financial year to the Board of Directors, which was prepared pursuant to the model approved in the CNMV's Circular 7/2015, of 22 December.

Also, this Committee will propose the Corporate Governance Report for the 2016 financial year to the Board of Directors.

iv) Supervision of investor and shareholder relations strategy and communications strategy, including small and medium-sized shareholders:

In December 2015, the Board of Directors approved on the recommendation of the Corporate Governance Committee and in fulfilment of the recommendations stipulated in the CNMV's Good Governance Code, the "Policy of communication with shareholders, institutional investors and proxy advisors" (hereinafter, "the Policy"), regulating the guidelines and general communication and reporting channels for the Company's relations with these stakeholders.

While this Policy was approved almost at the end of 2015, in February 2016 the Corporate Governance Committee checked that the general principles and rules of conduct set forth therein had been complied with, not only since its approval but also in general terms throughout the whole of 2015. This verification was also performed for 2016.

c) Internal rules of the Company:

i) Amendment of the internal governance rules.

The Internal Code of Conduct on Matters Relating to the Securities Market was amended by the Board of Directors in July 2016 at this Committee's request, in order to bring it into line with the new Regulation (EU) No. 596/2014 of 16 April 2014 on market abuse and implementing regulations, which have been directly in force in Spain since 3 July.

Likewise, as indicated in section b) i) above, the Board of Directors, on the proposal of this Committee, has approved a Gift Policy within the framework of the model of criminal prevention.

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

The Committee has analysed, particularly, the compliance with the Company's governance procedures during the 2016 financial year, drawing, among others, on the report of PRISA's Compliance Unit.

Particularly, in fulfilment of the Internal Code of Conduct, steps were taken in 2016 to comply with the new provisions of Regulation (EU) No. 596/2014 of 16 April 2014 on market abuse.

Given the restructuring of the Company's finances, as proposed by this Committee, the Board of Directors has approved an "Action Protocol" to be followed during the process and containing guidelines to strengthen measures concerning the use of "insider information".

d) Other matters

The Committee has also helped draw up the Succession Plan for the Chairman and CEO, which was implemented under the leadership of the Coordinating Director.

This report was approved in Madrid at the meeting of the Corporate Governance Committee held on February 2017.
