



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

NOMINATIONS AND COMPENSATION COMMITTEE

**ANNUAL REPORT
2017**

Madrid, February 2018.

*English translation for information purposes only.
In case of discrepancies between the Spanish original and
the English translation, the Spanish version shall prevail*

NOMINATIONS AND COMPENSATION COMMITTEE ANNUAL REPORT 2017

I.- INTRODUCTION

The Nominations and Compensation Committee of PROMOTORA DE INFORMACIONES, S.A. ("PRISA" or the "Company") (hereinafter the "Committee") issues this report to enable the Board of Directors to make available to shareholders information concerning the Committee's operations and activities during the 2017 financial year.

The Committee is governed by article 529 of the Capital Companies Act (in the wording introduced by Act 31/2014, which amends the Capital Companies Act for the improvement of corporate governance) and by the internal rules of the Company: article 27 of PRISA Bylaws and Board of Directors Regulation.

II.- COMPOSITION

On December 31, 2017, and also at the date of issuance of this report, the composition of the Committee is as follows:

Chairman: -Mr Javier Monzón de Cáceres – Independent External Director
Members: Mr Joseph Oughourlian – External Director (representing significant shareholdings).
-Mr Dominique D'Hinnin – Independent External Director
-Mr Javier Gómez-Navarro Navarrete- Independent External Director
-Mr John Paton- Independent External Director

During 2017, the Company restructured the Board of Directors and its committees.

Specifically, Alain Minc (former committee chairman), Alfonso Ruiz de Assin and Gregorio Marañón, stood down from this Committee, having resigned as directors at the Extraordinary Shareholders' Meeting on November 15, 2017.

In its composition, the Committee complies with the requirements of applicable law and as provided in the internal rules of the Company: Article 27 of the Bylaws and article 28 of the Regulation of the Board of Directors provide that the Nomination and Compensation 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.

III. ACTIVITIES OF THE COMMITTEE IN 2017

During 2017 the Committee has met on eleven occasions and provided periodic updates to the Board regarding its deliberations and actions.

The following are the issues discussed during 2017 in subject areas pertaining to this Committee:

a) Regarding the composition of the Board of Directors and Board Committees of PRISA:

The Board of Directors was restructured in 2017, with 9 directors standing down and 6 new directors joining, including the succession of the CEO. All the board committees were also restructured as a result. Effective January 1, 2018, the succession of the Chairman took place.

i) Succession of the Board Chairman:

Last October, the Board of Directors started the succession of the Executive Chairman, Mr Juan Luis Cebrián Echarri, in which this Committee has been involved along with the Corporate Governance Committee and the Lead Director.

After considering several alternatives and candidates, at the December 2017 Board of Directors, the directors finally accepted Juan Luis Cebrián Echarri's resignation as director and Executive Chairman with effect from January 1, 2018; and pursuant to this Committee's favourable report, approved the appointment of Manuel Polanco Moreno – at that time executive and Deputy Chairman – as non-executive Chairman of PRISA's Board of Directors with effect from January 1, 2018.

i) Succession of the CEO:

In June 2017 and pursuant to this Committee's favourable report Manuel Mirat Santiago was appointed by co-optation as a director of the Company, and with effect from September 4, 2017, was also named as CEO replacing José Luis Sainz Díaz.

Mr Manuel Mirat will hold office as chief executive of PRISA.

iii) Restructuring of the Board and its committees. Appointment and ratification of directors:

Throughout 2017, the Committee has proposed and provided advice on the following:

- The decision to submit for approval by the Shareholders' Meeting ratification of the appointments by co-optation of Dominique D'Hinnin (independent external director), Waaleed Alsa'di (proprietary external director) and Manuel Mirat (CEO). To this end, the Committee prepared explanatory reports in accordance with Articles 518 and 529 *decies* of the Capital Companies Act, which were presented to shareholders when the Shareholders' Meetings were called.
- Appointment of Mr. Mirat to the Strategic Digital Change Committee and the Delegated Commission after taking up the post of CEO.

- Appointment by co-optation of the independent directors Javier Monzón, Javier Gómez-Navarro, Javier de Jaime and Sonia Dulá, and the appointment of Francisco Gil as an “other external director”.
- The reorganisation of the Delegated Commission and Audit Committee, Nomination and Compensation Committee and Corporate Governance Committee following the changes to the Board of Directors in November 2017.

iv) Succession of the Secretary to the Board of Directors:

In July, Xavier Pujol Tobeña was appointed General Secretary and Secretary to the Board of Directors replacing Antonio García-Mon, pursuant to a favourable report by this Committee.

v) Qualitative composition

The Committee has proposed the classification of the directors in various categories: executive director, external director representing significant shareholdings, independent external director, and other external director, on appointing or ratifying the directors.

The Committee also supported the change in position of Manuel Polanco Moreno who, with effect from January 1, 2018, has left his status of executive director as his executive relationship with the Company ended and has become a proprietary director.

vi) Director Selection Policy and objective to increase share of under-represented gender on the Board:

The Company has a Director Selection Policy that was signed off by the Board of Directors on December 18, 2015. Its objectives are summarised as follows: i) principle of diversity in the composition of the Board; ii) aim of achieving an adequate balance on the Board as a whole, identifying persons whose appointment would foster diversity of knowledge, experience, origin and gender; and iii) objective for the year 2020 of having female directors making up at least 30% of the total members of the Board.

In 2017, when reporting on the appointment proposals the Committee has taken into account the Director Selection Policy, although in the circumstances that occurred this year in the recomposition of the Board, it has not been possible to achieve the objective of having female directors making up at least 30% of the total members.

The Committee shall carry out the appropriate work in the coming months so that the practices and actions to be carried out in the near future might allow to improve in this aspect.

b) In connection with the senior management of the Group:

The Committee reported the senior management appointment proposals and the basic terms and conditions of their contracts.

c) In relation to the compensation policy

Report on the Annual Compensation

The Committee proposed the Report on the Annual Compensation of the Board of Directors for 2017, containing information on the implementation of the remuneration policy in 2016, which was submitted for advisory approval at the Annual Shareholders Meeting held on June 30, 2017, as a separate item of the agenda.

Directors' Remuneration Policy

As recommended by this Committee, the Ordinary Shareholders' Meeting on June 30, 2017 approved a Directors' Remuneration Policy for 2017, 2018 and 2019. This policy was subsequently amended – also on the recommendation of this Committee – by the Extraordinary Shareholders' Meeting on November 15, 2017, to bring it into line with the Company's new situation.

In both cases, this Committee prepared a specific report in accordance with Article 529 *novodecies* of the Capital Companies Act, which were presented to shareholders when the Shareholders' Meetings were called.

Despite this, the Committee will put forward a new Remuneration Policy to adapt it to the new framework of Company's governance structure.

Individual compensation of executive directors

i. Annual variable remuneration:

The Committee approved the targets for determining the variable compensation for 2017 of the executive directors.

The Committee also approved the settlement of bonus corresponding to year 2016, for the executive directors.

ii. Multi-annual variable remuneration:

In 2017, the Committee analysed the fulfilment of the targets of the then executive directors, José Luis Sainz and Manuel Polanco, and the members of the management team, for payment of the long-term bonuses for the period 2014-2017.

iii. Extraordinary share-based incentive:

The Committee supported the proposal put before the Extraordinary Shareholders' Meeting in November 2017 for an extraordinary share-based incentive that Juan Luis Cebrián would be entitled to on fulfilment of his objectives concerning restructuring the Company's finances and capitalisation and selling Media Capital. The incentive would comprise 1,600,000 Prisa shares.

iv. Termination of the contracts of the executive Chairman, executive Deputy Chairman and CEO:

The Committee recommended to the Board of Directors the economic terms and conditions for terminating the contracts of Juan Luis Cebrián, Manuel Polanco and José Luis Sainz with the Company as a result of them standing down as executive Chairman, executive Deputy Chairman and CEO, respectively. This will be covered in the Directors' Remuneration Report.

v. Contractual conditions of the new CEO:

The Committee recommended to the Board of Directors the contractual conditions of Manuel Mirat as the Company's new CEO, which will also be disclosed in the Directors' Remuneration Report.

Compensation system for managers

The Committee authorized the settlement of the corresponding bonus for the Group's senior executives for 2016, and of the long-term bonuses for the period 2014-2017.

The Committee also approved the targets associated with the variable compensation for 2017.