



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

**CORPORATE GOVERNANCE COMMITTEE**

**ANNUAL REPORT  
2012**

Madrid, February 2013.

## **CORPORATE GOVERNANCE COMMITTEE ANNUAL REPORT**

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### **I.- INTRODUCTION**

The Corporate Governance Committee (hereinafter the Committee) is governed by article 21 ter of PRISA Bylaws and by articles 26 and related of the Regulation of the Board of Directors and issues this annual report concerning its performance during the 2012 financial year, in accordance with the provisions of Article 26. 3.e)ii., of the Board of Directors Regulation.

The current Corporate Governance Committee came into existence in June 2011 as a result of the splitting of the Corporate Governance, Nomination and Compensation Committee (CGNCC) into two separate Committees: a Corporate Governance Committee and a Nomination and Compensation Committee.

### **II.- COMPOSITION**

The current composition of the Committee is as follows:

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

Members:

Mr. Jose Luis Leal.- External Independent Director.

Ms. Arianna Huffington.- External Independent Director.

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

Mr. Jose Luis Leal and Ms. Arianna Huffington were appointed members of this Committee in October 2012 to replace Mr Matías Cortés and Mr Gregorio Marañón.

Article 21 ter of the Bylaws set forth that the Corporate Governance Committee shall be composed exclusively of external directors and likewise provides that its Chairman shall be an independent director, which are, in fact, the cases.

The Committee's secretary is the secretary to the Board of Directors, in accordance with the mentioned rules.

### **III. ACTIVITIES OF THE COMMITTEE IN 2012**

In accordance with the provisions of Article 26 of the Board of Directors Regulation, the Corporate Governance Committee has the following competencies:

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

- i. Propose the appointment of independent directors.

- ii. Propose the qualification of directors into the categories of executive, external proprietary, external independent and other directors, when the appointment or renewal of the directors is going to be executed by the General Shareholders Meeting or when that classification is revised annually in the Corporate Governance Report.
  - iii. Inform on the removal of executive and independent directors, when the Board of Directors propose the decision to the Shareholders Meeting or when occurs *justa causa* due to a breach of the director of the duties inherent to his/her position and when is carrying out a disciplinary procedure that could mean the removal of the director.
  - iv. Report, together with the Nomination and Compensation Committee, on proposals for the appointment of the Chairman and Vice Chairman, Chief Executive Officer, and members of the Delegated Committee and other committees of the Board of Directors.
  - v. Evaluate the skills, knowledge and experience on the Board, and therefore, define functions and capabilities required of candidates to fill each vacancy and evaluate dedication necessary to properly perform their duties.
  - vi. Report to the Board on issues of gender diversity in relation to the composition of the Board.
  - vii. Submit to the Board of Directors, a report evaluating the performance and composition of the Board and the performance of their duties by the Chairman and the Chief Executive of the Company.
- b) In connection with the strategy of corporate governance and corporate social responsibility of the Company:
- i. Promoting corporate governance strategy of the Company.
  - ii. Know, promote, guide and monitor the performance of the Company regarding corporate social responsibility and sustainability and corporate reputation and to report thereon to the Board and Delegated Committee as appropriate.
  - iii. Inform and propose to the Board the approval of the Corporate Governance Report.
  - iv. Inform and propose to the Board the approval of the annual corporate social responsibility report and, in general, issue reports and develop actions in the field of corporate social responsibility and sustainability, in addition, in accordance with corporate governance of the Company and when being asked by the Board of Directors or its Chairman.
- c) In connection with the internal rules of the Company:
- i. Propose to the Board the approval of a Code of Ethics

- ii. Propose to the Board the approval of a Code of Conduct of the employees.
  - iii. Report on proposals for amending the Bylaws, Rules of the Board, Rules of the Shareholders Meetings, Rules of Operation of the Shareholders Electronic Forum, the Internal Rules of Conduct, the Code of Ethics and Code of Conduct of the employees and any other rules of governance of the Company.
  - iv. Review the implementation of the Board Rules, the Internal Rules of Conduct, the Code of Conduct of the employees and, in general, the rules of governance of the Company and to make proposals for their improvement.
- d) In connection to transactions with related parties to the Company and companies of the Group:
- i. Report of transactions of the company with a significant shareholder, prior to its approval by the Board.
  - ii. Report professional or commercial transactions of directors, prior to its approval by the Board.
  - iii. Authorize transactions by persons related to directors under the terms provided for in Article 33 of the Board of Directors Regulation.
- e) Other competences:
- i. Review compliance policies and propose all necessary measures for its strengthening.
  - ii. Approve annually a report on the performance of the Committee and propose to the Board of Directors its publication, when the Annual General Meeting is called.
  - iii. Exercise all other powers granted to the Committee in the Board of Directors Regulation.

During 2012 the Committee has met on 4 occasions.

The following are the issues discussed during 2012 in subject areas pertaining to this Committee:

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

Qualitative composition of the Board of Directors:

The Committee proposed classification of directors into the categories of executive, external proprietary, external independent and other directors, under two different circumstances: i) upon appointing new directors (which is the case of Mr. Jose Luis Leal and Mrs Arianna Huffington, appointed as directors by the Board

of Directors held on October 24, 2012) and ii) when that classification is reviewed annually in the Annual Corporate Governance Report.

Specifically, in the Annual Corporate Governance Report corresponding to the 2011 financial year the nature of each director was explained, taking into account the definitions of the CNMV's Good Governance Code, and modifying the nature of the director Mr Manuel Polanco Moreno, who turned from external proprietary to executive director. Such classification shall be repeated in the Annual Corporate Governance Report for the 2012 financial year.

#### Composition of the Board of Directors, the Delegated Commission and the Committees, and appointment of positions.

In July 2012 Mr Ignacio Polanco Moreno tendered his resignation as Chairman of the Board of Directors and Director of the Company. The Committee reported, together with the Nomination and Compensation Committee, on the proposed appointments as Executive Chairman, Deputy Chairman and CEO of Mr Juan Luis Cebrián, Mr Manuel Polanco and Mr Fernando Abril- Martorell, respectively, and on the delegation of all authority of the Board, except non delegable authority, to Mr. Cebrián and Mr. Abril- Martorell.

Also, in order to fill vacancies on the Board left by the resignation of Mr Ignacio Polanco Moreno and Mr Diego Hidalgo Schnur (also tendered in July 2012), the Committee reported favorably on the interim appointment of Mr Jose Luis Leal and Mrs Arianna Huffington, as independent directors.

Moreover, the Committee has reported, together with the Nomination and Compensation Committee, whenever there have been changes in the composition of the Delegated Committee and other Committees of the Board.

#### Evaluation of the functioning and composition of the Board and the performance by the Chairman of the Board and chief executive of the Company of his duties:

The Committee has made a special self-monitoring of the self-evaluation of the Board of Directors, informing it of the outcome

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

##### Implementation of the Company's corporate governance strategy.

The Committee focused its action during the year, among other things, on the proposed measures to improve the Company's corporate governance, some of which are already being implemented by the Board of Directors and the rest of the Committees.

Among the measures proposed by the Committee are those concerning the preparation and holding of meetings of the Board of Directors, Delegated Committee and Board Committees.

In keeping with best practice in corporate governance, the Committee proposed that time be set aside at the beginning or end of Board meetings for the external directors (proprietary and independent) to express their concerns, without the presence of the executive directors.

The Committee has also launched a directors' portal as a channel for providing information to directors by electronic means.

#### Corporate social responsibility, sustainability and corporate reputation

The Corporate Social Responsibility Report for the 2011 financial year was approved by the Board of Directors.

Likewise, the Committee will propose to the Board the approval of the Corporate Social Responsibility Report for the year 2012

#### Annual Corporate Governance Report.

The Committee proposed the Corporate Governance Report for the 2011 financial year to the Board of Directors.

Also, this Committee will propose the Corporate Governance Report for the 2012 financial year to the Board of Directors.

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

#### Amendment of the Company's governance rules.

The Committee has reported favorably on the proposed amendments of the Bylaws and the Regulations to the General Shareholders Meetings, that the Board of Directors submitted to the approval of the shareholders' meeting held on June 30, 2012.

There were two types of amendments: (i) amendments aimed at adapting the Company's internal rules to the changes in the law since the last General Shareholders Meeting, and (ii) amendments to the Bylaws and other internal rules in order to be able to implement the resolutions that were submitted to the shareholders for approval, mainly concerning the possibility of paying the minimum dividend on the Class B preference shares in the form of shares, through the appropriate capital increases, and the proposal to strengthen the Company's equity and cash, so as to improve its capital structure and financial ratios.

Likewise, the Committee reported favorably on the proposed amendments to the Regulations of the Board of Directors (approved by the Board held on July 20, 2012), in order to its adaptation to the new organizational structure of the company, providing essentially that the Delegated Committee shall be chaired by the Chairman of the Board.

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

The Committee analyzes, particularly, the compliance with the company's governance procedures during the 2012 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 2012:

- The General Secretary has continually 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.

- The General Secretary has 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.
- The General Secretary of Grupo Prisa has 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 Code of Conduct.*

The Committee proposed to the Board, and the Board approved, a Code of Conduct applicable to all Group employees. During 2012 the Committee studied various improvements relating to the application of the Code to the different employee groups in the Group.

**d) Regarding transactions with parties related to the Company and other Group undertakings:**

The Committee reported favourably on and also authorized certain transactions with directors and persons related to them, in accordance with the provisions of the Board of Directors Regulation.

**e) Other Matters**

The Committee continued to study the impact of the market price of its securities in the United States and the applicable legal limitations.

This report was approved in Madrid at the meeting of the Corporate Governance Committee held on February 2013.

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