



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

NOMINATION AND COMPENSATION COMMITTEE

**ANNUAL REPORT
2014**

Madrid, February 2015.

(Free translation from the original in Spanish language)

NOMINATION AND COMPENSATION COMMITTEE ANNUAL REPORT

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I.- INTRODUCTION

The Nomination and Compensation Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA, the Company or GRUPO PRISA where reference to the consolidated Group is made) issues this report to enable the Board of Directors to make available to shareholders information concerning the Committee's operations and activities during the 2014 financial year.

The Committee is governed by article 529 quincecies 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 21 quáter of PRISA Bylaws and Board of Directors Regulation.

However, given that the Company Bylaws and the Board of Directors Regulation are in the process of being revised, amongst other reasons in order to adapt them to Act 31/2014, the internal governance regime set out in section III of this Report is likely to be modified in the near future.

II.- COMPOSITION

The composition of the Committee on the date of this Report is as follows:

Chairman: Mr. Gregorio Marañón y Bertrán de Lis – External Independent Director

Members:

Mr. Alain Minc – External Independent Director

Mr. Borja Pérez Arauna- External Director (representing significant shareholdings).

D^a Agnes Noguera Borel.- External Director (representing significant shareholdings).

The only change that has been made in the composition of this Committee during 2014, has been the appointment of Ms. Agnes Noguera as a member of the Committee in February 2014, increasing thus the number of members from 3 to 4.

In its composition, the Committee complies with applicable law and with the internal rules of the Company:

Article 529 quincecies of Capital Companies Act requires the Committee is composed exclusively of non-executive directors appointed by the Board of Directors, two of whom, at least, must be independent directors. The Chairman of

the Committee must be appointed from among the independent directors sitting on it.

Article 21 quáter of the Bylaws set forth that the Nominations and Compensation Committee shall be composed exclusively of external directors and likewise provides that its president shall be an independent director. Furthermore the Board of Directors Regulation provides that the Committee be composed of a minimum of three and a maximum of 5 external or non-executive directors.

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

III. ACTIVITIES OF THE COMMITTEE IN 2014

In accordance with the provisions of Article 25 of the Board of Directors Regulation (which adaptation to Act 31/2014 is to be approved by the Board of Directors), the Nomination and Compensation Committee has the following competencies:

- a) Regarding the composition of the Board of Directors and Board Committees of PRISA and management bodies of its subsidiaries:
 - i. Report on proposals for appointment, reappointment and removal of directors.
 - ii. Report, together with the Corporate Governance Committee, on proposals for appointment of Chairman and Vice Chairman, Chief Executive Officer, members of the Delegated Committee and other committees of the Board of Directors.
 - iii. Report on the nomination of the Secretary and Deputy Secretary.
 - iv. Review and organize the succession of the chairman and chief executive of the Company and make recommendations to the Board of Directors to facilitate that such succession occurs in an orderly and well planned.
 - v. Report on proposals for appointment of representatives of the Society in the managing bodies of its subsidiaries.
- b) In connection with the senior management of the Group:
 - i. Propose the definition of senior management.
 - ii. Report the appointment and removal of senior management.
 - iii. Approve contracts for senior management.
 - iv. Information and, where appropriate, issue reports on disciplinary action to senior management of the Company.
- c) In relation to the compensation policy:

- i. Propose to the Board of Directors: i) the Compensation Plan for directors, ii) the amounts and/or compensation limits that apply to directors, based on their dedication to the Board and the Committees thereof, iii) the individual compensation of executive directors and other conditions of their contracts and iv) a statement of compensation policy for Directors and senior management.
- ii. Approve the key objectives linked with the variable compensation for executive directors and/or the management.
- iii. Propose to the Board of Directors the compensation system for senior managers of PRISA and its subsidiaries and report to the Board about the liquidation of the variable compensation for them and to establish other incentive plans for them.
- iv. Ensure compliance with the compensation policy set by the Company.

Likewise, the Committee approves annually a report on its performance and exercise all other powers granted to the Committee in that Regulation.

During 2014 the Committee has met on five occasions.

The following are the issues discussed during 2014 in subject areas pertaining to this Committee:

a) Regarding the composition of the Board of Directors and Board Committees of PRISA and management bodies of its subsidiaries:

Composition of the Board of Directors of PRISA

The Committee reported favorably on the proposal for the ratification of the interim appointment of the directors Roberto Lázaro Alcántara Rojas and John Paton.

Subsequently, the Committee has also informed the proposals to the Annual General Shareholders Meeting of April 2014, to ratify the appointment by cooptation of such directors, along with Mr Claudio Boada Pallerés, who was appointed director of the Company, for cooptation, in December 2013.

The Committee also reported favorably of the appointment by cooptation of Mr. José Luis Sainz Diaz as director of the Company (since 22 July 2014) and as CEO of PRISA, effective October 1, 2014, replacing Mr Fernando Abril -Martorell who ceased from that position but remained as Director of the Company.

Furthermore, the Committee has also reported on the reclassification of directors Mr Roberto Alcantara Rojas (from independent to representing significant shareholdings) and Mr Fernando Abril-Martorell (from executive to another external director), in view of the circumstances affecting each of them.

Lastly, the Committee also informed the proposed appointment of Mr. Xavier Pujol Tobeña as Deputy Secretary following the resignation in these positions by M^a Teresa Diez-Picazo Giménez.

Composition of the Committees of PRISA

Likewise the Committee has reported favorably on the following changes in the composition of the Committees:

Delegated Commission

- Appointment of Mr Jose Luis Sainz Diaz and Mr. Roberto Rojas Lázaro Alcantara, as members of the Delegated Commission (the first, in place of Mr Fernando Abril-Martorell Hernández)

Audit Committee

- Appointment of Mr. Fernando Abril-Martorell Hernandez and Mr Claudio Boada Pallerés as members of the Audit Committee (the latter in place of Ms Agnes Noguera Borel).
- Appointment of Mr. Alain Minc as Chairman of the Audit Committee, replacing Mr. Juan Arena de la Mora who ceased to be Chairman of the Committee but remained as member of the same.

Nomination and Compensation Committee

- Appointment of Ms. Agnes Noguera Borel as a member of the Nomination and Compensation Committee.

Composition of the Boards of Directors of subsidiaries of Grupo Prisa:

The Committee reported favorably on the proposed appointments of certain members of the management bodies integrated in the different business units of the Group and has also expressed on the appointment of certain key management for the Group.

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

Contract of the CEO

The Committee has reviewed the terms of Jose Luis Sainz Diaz 's contract, as CEO of the Company and to this end, has had the external advice of the consultant Towers Watson.

Contracts of the management team

The Committee has reviewed the contractual terms of certain executives, within the perimeter of the Group's senior management.

c) In relation to the compensation policy

Report on the Compensation Policy

- 2014

The Committee proposed the Report on the Annual Compensation Policy of the Board of Directors and Management Team for 2014, containing information on the implementation of the remuneration policy in 2013, which was submitted for advisory approval at the Annual Shareholders Meeting held on April 28, 2014, as a separate item of the agenda. This report was prepared using the new model approved by the Circular 4/2013 of the CNMV.

Also for the 2013 Annual Report on Corporate Governance, the Committee approved the section that includes the full amount of the remuneration of Directors and senior management.

- 2015

The Committee will present to the Board of Directors the report on the compensation policy of the board and management team for 2015, with information on the implementation of the remuneration policy in 2014.

Legal aspects on remuneration

The Committee has examined the new provisions on compensation matters provided by Act 31/2014, which amends the Capital Companies Act for the improvement of corporate governance.

Other initiatives relating to remuneration:

The Committee has worked on the following initiatives as part of the remuneration policy of the company, which were submitted to the General Meeting of Shareholders held in April 2014, being approved:

- Authorization for delivery of shares of the Company to directors of the Company and a specific group of Executives of the Prisa Group, as part of the remuneration policy of the company, and for a term of five years following adoption of this resolution (April 2014).
- Long-term incentives plan 2014-2015 in order to align the interests of the executive team of the Prisa Group with those of its shareholders, by virtue of which the Company may hand over, to a specific group of Company executive directors and key managers in the Group, a certain number of ordinary Company shares and a certain amount in cash, depending on their level of responsibility and contribution to the Group's results, as variable remuneration linked to the achievement of long-term objectives.

The Committee then approved the Regulation of this Plan and the list of beneficiaries.

Moreover, the Committee reported favorably on the proposals of the Corporate Governance Committee regarding remuneration, subsequently endorsed by the Board of Directors, in order to comply with the relevant recommendations of the Unified Code of Good Governance of the CNMV:

- Establish or external directors who receive shares in payment of fixed remuneration, the obligation to maintain ownership of them until the moment they leave their office. This obligation shall apply to delivery of shares accrued from January 2015.
- The remuneration linked to the results of the Company shall take into account any qualifications in the audit report and reduce those results.

Likewise, the Committee has defined the compensation system of the Committee for Strategic Digital Change, which was set up in October 2014.

Individual compensation of executive directors

The Committee approved the targets for determining the variable compensation for 2014 of the executive directors.

The Committee also approved the settlement of bonus corresponding to year 2013, for the executive directors.

Compensation system for managers

Annual Variable remuneration (bonus)

The Committee authorized the settlement of the corresponding bonus for the Group's senior executives for 2013.

The Committee also approved the targets associated with the variable compensation for 2014.

Long-term incentive

The Committee has approved the settlement, in 2014, of the first triennium 2011/2013 of the long-term incentive that was_ approved by the Shareholders' Meeting of 2011, with the number of shares awarded to each beneficiary.

Performance evaluation

The Committee has assessed its own performance and has sought measures for improvement.