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

**NOMINATIONS, COMPENSATION AND CORPORATE GOVERNANCE COMMISSION**

**ANNUAL REPORT  
2018**

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Madrid, February 2019.

# ANNUAL REPORT OF THE NOMINATIONS, COMPENSATION AND CORPORATE GOVERNANCE COMMISSION

2018

## **I. INTRODUCTION**

The Nominations, Compensation and Corporate Governance Commission of PROMOTORA DE INFORMACIONES, S.A. (“PRISA” or the “Company”) (hereafter the “Committee” or the “CNRGC”) hereby issues this report to enable the Board of Directors to inform shareholders about the Commission’s functions and activities during 2018.

The Commission is governed by article 529 quincecies of the Capital Companies Act, the company’s bylaws and the regulations of the Board of Directors of PRISA.

## **II. COMPOSITION**

In the first quarter of 2018, PRISA updated the Company’s main internal regulations (bylaws, Regulations of the General Shareholders' Meeting, and Regulations of the Board of Directors) in order to adapt the Company’s corporate governance system to current best practices within the framework of the significant changes to its capital and governance structures.

The organisational structure and the functionality of the Company’s corporate bodies were revised, among other aspects. From 25 April 2018, the former Nominations and Compensation Committee (CNR) and the Corporate Governance Committee (CGC) were replaced by the Nominations, Compensation and Corporate Governance Commission (CNRGC) (hereafter jointly referred to as the “Committees”).

The composition of the CNRGC as at 31 December 2018 and the issue date of this report was the following:

### Chairman:

- Mr Javier Monzón de Cáceres (Independent External Director)

### Members:

- Mr Joseph Oughourlian (External Shareholder Director)
- Mr Roberto Alcántara Rojas (External Shareholder Director)
- Mr Dominique D’Hinnin (External Independent Director)
- Mr Javier Gómez- Navarro Navarrete (External Independent Director)

The Commission’s composition complies with the requirements of current legislation and the Company’s Board of Directors’ Regulations, which states that the CNRGC will consist of a minimum of three and a maximum of five non-executive directors, the majority of whom must be independent directors and with an independent director in the role of chairman.

The members of the CNRGC have also been appointed on the basis that their knowledge, skills and experience are appropriate to the functions that they must perform.

The Secretary of the Commission is the Secretary of the Board of Directors.

### **III. ACTIVITIES OF THE COMMISSION IN 2018**

The CNR met five times between January and April 2018 and four of those meetings were jointly held with the CGC.

The CNRGC met on three occasions between April and December 2018.

The Committees have maintained a constant working relationship with the Chairman of the Board and the CEO. Some of the Company's managers have attended meetings of the Committees to explain initiatives related to their areas of responsibility. The CEO is one such case, with regards to nominations and the compensation of the Company's senior managers – the Communication and Institutional Relations Manager and the Investor Relations Manager.

The Committees have also informed the Board of Directors about their discussions and actions, which are described below:

#### **1. In relation to the composition of the Board of Directors, the Board's committees, and the administrative bodies of other Group companies**

##### **i. Succession of the Executive Chairman of the Board of Directors**

The succession process of the previous executive chairman was carried out in the last quarter of 2017 and Mr Manuel Polanco Moreno (then executive vice-chairman) was appointed as non-executive chairman of the Board of Directors of PRISA, effective from 1 January 2018.

Subsequently in December 2018, Mr Manuel Polanco Moreno stepped down as non-executive chairman of PRISA and Mr Javier Monzón de Cáceres (then non-executive vice-chairman) was appointed as non-executive chairman of the Board of Directors of PRISA, effective from 1 January 2019.

Mr Javier Monzón de Cáceres had previously been appointed non-executive vice-chairman in February 2018 and Lead Director of the PRISA Board of Directors in April 2018.

All of the above actions were accompanied by a report or proposal from the Committees, as appropriate.

##### **ii. Other changes in the composition of the Board and the Committees**

###### *Composition of the Board of Directors*

Only one new director joined the Board during the year, namely the company Amber Capital UK LLP (represented by Mr Fernando Martínez Albacete), who was appointed by co-optation in March 2018 based on a

prior report from the CNR. The CNR also expressly reported on the proposal to appoint Mr Fernando Martínez Albacete as the individual to represent the director Amber Capital.

Amber Capital has the status of shareholder director as it represents a significant shareholder and has been appointed at the request of a significant shareholder.

In April 2018 Mr John Paton resigned as a company director.

The General Shareholders' Meeting held in April 2018 set the number of directors at 13.

This General Shareholders' Meeting agreed to ratify the nomination by co-optation of Amber Capital UK LLP and the following directors that were appointed by co-optation in November 2017: Mr Javier de Jaime Guijarro, Ms. Sonia Dulá, Mr Francisco Gil Díaz, Mr Javier Gómez-Navarro Navarrete and Mr Javier Monzón de Cáceres, all of whom have the status of independent director with the exception of Mr Gil who is classified as Other External Director. The CNR prepared the corresponding justifying reports for these purposes in accordance with articles 518 and 529 decies of the Capital Companies Act, which were made available to shareholders when notice of the General Meeting was given.

#### *Composition of the Committees*

In February 2018, the CNR and the CGC jointly reported on the nomination of the independent director Mr Javier Gómez-Navarro to the Audit Committee.

In April 2018, in relation to the review of the Company's internal regulations and those of its corporate governance system, the Board's committees were reorganised and their composition was restructured. The CNR and the CGC actively participated in these decisions, each within the scope of its respective remit, issuing the corresponding proposals and reports.

Following that process, the Company now has a Delegated Committee; an Audit, Risk and Compliance Committee (previously the Audit Committee, which had been assigned compliance related duties); and a Nominations, Compensation and Corporate Governance Commission (which integrated the former Nominations and Compensation Committee and the Corporate Governance Committee).

#### iii. Qualitative composition of the Board

The CNR proposed the classification of directors in the different categories of "external shareholder", "external independent" and "other external", when their appointments are made or ratified.

The CGC also analysed the classification of directors in the different categories when preparing the Annual Corporate Governance Report for

2017, which the CNRGC will do again shortly when it reviews the Annual Corporate Governance Report for 2018.

- iv. Director selection policy and target representation for the under-represented gender on the Board

The Company has a Director Selection Policy that was approved by the Board of Directors on 18 December 2015. The principles and objectives of this policy can be summarised as follows: i) diversity in the composition of the Board, ii) appropriate balance of the overall Board, searching for people whose appointment fosters a diversity of knowledge, experience, background and gender, and iii) the number of female directors shall represent at least 30% of the total members of the Board by 2020.

In accordance with its functions and on the same date that this report was approved, the CNRGC verified compliance of the Director Selection Policy during 2018, concluding that the principles, objectives and procedures established in the aforementioned policy in relation to the proposals to appoint and ratify directors during that year had been taken into account.

The Commission believes that the composition of the Board is reasonably diverse in terms of the profile, training, experience and professional qualifications, skills, age and the geographical background of the directors, with a positive balance in its overall structure. Nevertheless, the Commission believes that there is insufficient gender diversity, having prepared a proposal and objectives to achieve an appropriate level by 2020.

No director selection processes were carried out in 2018 that required candidates to be considered, since the only director appointed, Amber Capital (and its physical representative), was appointed at the request and proposal of the represented shareholder. Since no other vacancy has occurred since then, the Commission has not had the opportunity to develop the objective of incorporating more women into the Board of Directors.

The CNRGC has taken actions so that the Board's gender diversity improves in 2019 and 2020, to reach a level of at least 30% in 2020, which is considered acceptable taking into account the current structure of the Board, in which shareholder directors (over which the Commission has much lesser influence) plus the CEO, represent more than half of its members.

For its part, in February 2018 the CGC verified the Director Selection Policy in relation to the previous year.

- v. Administrative bodies of subsidiary companies

The CNR and the CNRGC, as appropriate, have also reported on the configurations and remuneration system of the administrative bodies of the Group's main subsidiaries.

## **2. In relation to the Group's senior management**

The CNR and the CNRGC have reported on the proposals to appoint senior managers and the basic conditions of their contracts, as well as in relation to the appointment of other executives that, although not part of the senior management team, hold key positions in the Group.

These Committees approved the restructuring of the Management Committee chaired by the CEO, which led to changes in the scope of the senior management team.

### **3. In relation to the compensation policy for directors and senior managers**

#### **i. Compensation policy for directors**

Following the proposal of the CNR, the Annual General Shareholders' Meeting held on 25 April 2018 approved a new compensation policy for directors for 2018, 2019 and 2020, in order to adapt it to best practices and the Company's requirements and new governance framework. The CNR prepared a specific report in accordance with article 529 novodecies of the Capital Companies Act that was made available to shareholders when notice of the general meeting was given.

The CNRGC does not intend to propose changes to this compensation policy, with the exception of amendments that may become necessary as a result of the succession of the chairman carried out from 1 January 2019.

#### **ii. Directors' Compensation Report**

The CNR proposed the Compensation Report of the Board of Directors for 2018, with information about the application of the compensation policy in 2017, which was submitted for approval on a consultative basis to the General Shareholders' Meeting of 25 April 2018 as a separate point on the agenda.

The CNRGC is already working on the corresponding report for 2019, which will explain the application of the compensation policy during 2018. It should be noted that the Company is receiving external advice from Garrigues Human Capital Services to prepare this report.

#### **iii. Individual compensation of executive directors and senior managers**

##### *Annual variable compensation*

The CNR approved the objectives for determining the variable compensation corresponding to 2018 for the CEO (the only executive director) and the Group's main senior managers.

The CNR also analysed the objectives achieved by the CEO and the Group's senior managers, and approved payment of the corresponding amounts for 2017.

##### *Medium-term variable compensation*

At the proposal of the CNR and the Board of Directors, the Annual General Shareholders' Meeting held on 25 April 2018 approved a Medium-term Incentive Plan for the 2018-2020 period, consisting of awarding shares in the Company linked to the performance of the share price and fulfilment of certain objectives, intended for the CEO of PRISA, members of the senior management team and certain executives of Group companies, who will be entitled to receive a specific number of ordinary shares in the Company after a reference period of three years and provided that certain predefined requirements are met.

The CNRGC also proposed to the Board the General Conditions to implement the Plan, as well as the beneficiaries and the distribution of the assigned shares among them (based on the recommendations of the CEO), and it has taken the necessary decisions to execute the Plan according to the authority granted to it by the Board of Directors.

It should be noted that the Company has received external advice from Garrigues Human Capital Services to design and implement this plan.

*Verification of the information about the compensation of directors and senior managers contained in different corporate documents*

The CNRGC has reviewed the information about the remuneration of directors and senior managers contained in the financial information corresponding to the first half of 2018, prior to its disclosure to the markets.

#### **4. In relation to the corporate governance system**

##### **i. Internal regulations**

As already stated in section II of this report, the Company's main internal regulations (bylaws, Regulations of the General Shareholders' Meeting and Regulations of the Board of Directors) have been updated in 2018. The CGC was actively involved in this process, proposing the reforms to the aforementioned Board of Directors' Regulations.

In 2018, the Board also approved an "Investment and Financing Policy", a "Corporate Social Responsibility Policy" and a "Travel and Overnight Stay Policy for the Board of Directors", proposed by the CNRGC.

##### **ii. Corporate Social Responsibility**

As already stated, the CNRGC has proposed the Corporate Social Responsibility Policy to the Board, which was approved last December.

In March 2018, the CGC analysed and reported favourably on the Corporate Social Responsibility Report for 2017, which was approved by the Board of Directors, which this Commission will do again with the report corresponding to 2018.

The Company has received advice from KPMG to prepare this report.

iii. Annual Corporate Governance Report

The CGC proposed the Annual Corporate Governance Report for 2017 to the Board of Directors, and the CNRGC will propose the Corporate Governance Report for 2018 to the Board.

iv. Corporate governance recommendations from the CNMV

During the year, the Commission monitored and promoted improvements in the Company to better comply with the CNMV's corporate governance recommendations.

v. Supervision of the strategy on communications and relations with shareholders and investors, including small and medium-sized shareholders

In 2018 the CGC verified the application of the general principles and codes of conduct established in the "Policy on communications with shareholders, institutional investors and proxy advisers" during the previous year. The CNRGC has carried out this verification again, on the approval date of this report, in relation to 2018.

vi. Self-assessment of the Board

In 2018, the CGC launched the Board's self-assessment procedure corresponding to 2017. Nevertheless, the changes that arose in the composition of the Board during the last four months of 2017 made it impossible for the Board and its Committees to carry out the self-assessment process as there was an insufficient number of directors that fulfilled the criteria and seniority to carry out the assessment for that year.

As at the approval date of this report, the CNRGC has issued a report about the result of the self-assessment of the functioning and composition of the Board and its Committees in 2018, as well as of the performance of the duties of the Chairman of the Board during that year and by the CEO. The CNRGC will send the report to the Board of Directors and shall propose the action plans that it believes are appropriate in light of those results.

On this occasion, this self-assessment has been made without the assistance of any external consultants, even though it is a condition of the Commission and the Board that the assessment is periodically carried out (every three years) with the participation of an external consultant.

**5. Other responsibilities:**

i. Editorial Governance of the Group

The CNRGC has also carried out initiatives and made proposals to restructure the editorial governance of the Group. Among others, it proposed a new operating framework for the Editorial Committee of the Group and issued a favourable report on the proposal to appoint its chairman.

ii. Annual report on the functioning of the Commission



In 2018, both the CNR and the CGC issued reports about their functioning in 2017, which were made available to shareholders at the time that notice of the Annual General Shareholders' Meeting was given.

The CNRGC is issuing this report for 2018, which will be made available to the Company's shareholders at the appropriate time.

#### iii. Calendar and agenda of meetings

As good governance practice, in December 2018 the CNRGC approved its calendar of meetings with the proposed issues to examine for 2019.

#### iv. Others

In 2018 a director training programme was carried out by KPMG, which covered different issues relating to corporate governance.