

**ANNUAL REPORT  
OF THE AUDIT AND COMPLIANCE COMMITTEE  
2016**

**I.- Creation:**

The Audit and Compliance Committee was created by agreement of the Board of Directors of Mediaset España Comunicación S.A. (Then Gestevisión Mediaset España, S.A.) in its meeting held on the 20<sup>th</sup> May 2004 and came into force after Gestevisión Mediaset España, S.A began listing on the stock market, on the 24<sup>th</sup> June 2004. The company joined the IBEX 35 on 3<sup>rd</sup> January 2005.

**II.- Composition:**

The Audit and Compliance Committee consists of (6) members, who are also members of the Board of Directors, all external directors and appointed by the Board of Directors.

In addition, following that which is established in both the Articles of Association and the Board of Directors Regulations, and in accordance with the corporate governance rules, since the listing date of Mediaset España Comunicación SA, an Independent Director has occupied the position of Chairman.

Since its creation, the changes to the Audit and Compliance Committee have been aimed at gradually strengthening its independence with regards to the internal management of the Company, as a consequence, no Internal Director has become part of the committee, but it has established the presence of independent directors within it.

The Audit and Compliance Committee currently has the following members:

- Mr. Ángel Durández Adeva (Chairman – independent).
- Mr. Fedele Confalonieri (external proprietary).
- Mr. Giuliano Adreani (external proprietary).
- Mr. Alfredo Messina (external proprietary).
- Mr. Marco Giordani (external proprietary).
- Mr. José Ramón Álvarez Rendueles (Independent)

From a qualitative point of view, the composition of the Committee is as follows:

External Directos	100 %
Independent Directors	33.3%

**III. Regulation:**

The Audit and Compliance Committee is regulated by the Articles of Association, whose current version was approved at the Shareholders Annual General Meeting on 15<sup>th</sup> April 2015 and the Regulations of the Board of Directors and in the Regulations of the Committee, whose last amendments were approved on December 16<sup>th</sup>, 2015.

Thus, the rules that regulate the composition and functioning of the Audit and Compliance have been fully aligned with the latest regulatory amendments to the Law 31/2014, of December 3<sup>rd</sup> amending the Companies Act for the improvement of corporate

governance, and with the recommendations included in the Good Governance Code for Listed Companies, adopted on 18<sup>th</sup> February 2015 by the Board of the Spanish National Stock Market Commission (CNMV).

**IV.- Functions:**

The functions of the Audit and Compliance Committee are contained in the Articles of Association, the Board of Directors Regulations and primarily in its own regulatory Regulations, which include but are not limited to the generic and specific functions of the Committee:

1: Regarding the external auditors:

The Audit and Compliance Committee shall deal with all matters related to the external Auditors of the Mediaset España Group and shall be responsible for:

a) Proposing to the Board of Directors the appointment of the Auditors, the terms under which they are to be hired, the time period for which they are appointed, and, if necessary, the termination or non-renewal of their appointment. In this respect, the Audit Committee shall refrain from proposing the appointment of any auditing firm when they are aware that i) The audit firm falls under any disqualifying circumstances according to the audit law and regulations, or ii) That the fees to be paid by Mediaset to such an audit firm on all accounts are foreseen to exceed five percent (5%) of the company's total income during the previous business year.

The Audit and Compliance Committee shall propose the same auditors for Mediaset and the companies in its Group.

If the Auditors resign, the Committee shall examine the reasons for the decision.

b) Acting as a communication channel between the Board of Directors and the Auditors, evaluating the results of each audit and the response of the management team of Mediaset to the Auditors' recommendations; and mediating as well as acting as arbitrator in the event of disagreement between the management of Mediaset and the Auditors regarding the principles and policies to be applied in preparing the financial statements. In this regard, it shall ensure that no qualifications are included by the auditor in the accounts presented by the Board of Directors.

c) Ensuring that the external auditor holds an annual meeting with the full board of directors to inform them of the work that has been carried out and the evolution of the company's accounting and risk situation.

d) Proposing that the recommendations issued by the Auditors are complied with, unless the Committee considers that it should maintain its own criterion. In the latter case, it should explain the nature and scope of its discrepancy.

e) Annually issuing, prior to issuance of the audit report, a report expressly stating the opinion on the independence of the auditor. This report shall include, in all cases, the valuation of the provision of additional services referred to in the following point h), considered individually and collectively, distinct from the statutory audit and in connection with the rules of independence or the regulations governing the audit.

- f) Monitoring the performance of the audit agreement and ensuring that the opinion of the Auditors on the financial statements and the main part of the audit report are clearly and precisely worded.
- g) Liaising with the Auditors in order to determine any issues that may threaten the latter's independence, and any other issues related to the carrying out of the audit work; and receiving information from, as well as communicating with the Auditors on the matters foreseen in audit laws and regulations as well as in auditing standards; in all cases, they must annually receive the external auditors declaration of independence, in relation to the Company or entities related to it directly or indirectly, as well as any class information of additional services provided and the fees received from these entities by the external auditors or by persons or entities related to them in accordance with the provisions of the auditing legislation.
- h) Protecting the independence of the Auditors, paying attention to any circumstances or matters that might threaten this, as well as to any others related to the carrying out of the audit work.
- i) Checking that the Auditors comply with the legislation in force regarding the provision of services other than those of auditing, which limits the concentration of the auditing business, as well as any other regulation which may endanger the Auditors' independence.
- j) Verifying that Mediaset communicates any change of Auditors to Spain's National Stock Market Commission (CNMV) by way of a Relevant Fact, accompanied if necessary by a declaration on the substance of any possible differences with the departing Auditors.
- k) Authorizing any contracts concluded between Mediaset and the Auditors for services outside the activity intrinsic to an audit.

2: Regarding financial information

The Audit and Compliance Committee shall ensure that the periodic and the annual financial information supplied complies with legal requirements. It is responsible for:

- a) Supervising the accounts of Mediaset España and its Group, complying with the legal requirements and the correct application of accounting standards applicable in Spain and the International Accounting Standards (IAS), and issuing opinions on any proposals by management to modify accounting standards and criteria.
- b) Reviewing any financial information regularly supplied to the markets and their regulatory bodies before the information is issued, and seeing to it that the information is drawn up according to the same principles and practices as the annual accounts.
- c) Overseeing the correct definition of the scope of consolidation of the Mediaset España Group.

**3: Regarding the Internal Control System of Financial Reporting (ICFR):**

To ensure the reliability of financial information, the Audit and Compliance Committee is responsible for:

- a) Monitoring the preparation and integrity of financial information by reviewing the proper design of Mediaset's ICFR and compliance with regulatory requirements.
- b) Approve the internal audit plan for the evaluation of ICFR and receive regular information on the outcome of their work and the plan of action to correct the deficiencies observed.
- c) Review, analyse and discuss the financial statements and other relevant financial information with senior management and internal and external auditors, to confirm that the information is reliable, understandable, and relevant and that accounting principles used are consistent with the previous year end.
- d) Monitor both the process developed by senior management to make judgments, valuations and significant estimates, assessing their impact on the financial statements, as decisions on the adjustments proposed by the external auditor, and to know and, where appropriate, mediate disagreements between them.
- e) Guarantee that Mediaset's ICFR assessment process has been designed in a way that achieves the objectives of the process and to validate the findings of the reports that are submitted by those involved in the assessment tasks.
- f) Monitor the continuous assessment, carried out by Mediaset, the organization of control activities to obtain reasonable assurance about the implementation and operation of ICFR.
- g) Ensure that the information disclosed to the market on the rules of ICFR is clear and comprehensible and contain sufficient, accurate and necessary breakdowns.

**4: Regarding internal control and relations with the Internal Audit Department:**

The Audit and Compliance Committee shall check the correct operation of the internal information and control systems and supervise the operation of Mediaset España's Internal Audit Department. In this respect, it must:

- a) Propose the selection, appointment, re-election and dismissal of the head of Mediaset España's Internal Audit Department.
- b) Ensure that the Internal Audit Department carries out its functions with full freedom and independence, and that the management of Mediaset España take into account any recommendations the Department may make.

- c) Regularly find out about the actions and studies carried out by the Internal Audit Department; and propose its budget.
- d) Approve the Annual Internal Audit Plan and any other additional plans which may be necessary for organizational needs. The head of the Internal Audit Department shall inform the Committee of progress and any possible incidents in its execution of the plan, presenting an activity report at the end of each year. The Annual Plan shall be submitted for the approval of the Board of Directors, and it shall be made public to the extent considered suitable.
- e) To be up to date as to the degree with which the various departments comply with the recommendations of the Internal Audit Department. In cases where there may be a threat to the interests of Mediaset España or its group, it should inform the Board of Directors.
- f) Review the compliance of any actions or measures taken as a consequence of the inspection reports or activities of the administrative supervisory and control authorities.

5: With regards to policy control and risk management:

The Audit and Compliance Committee is the body responsible for supervising and controlling the risk policy of Mediaset España, identifying possible risks, managing them and ensuring there is sufficient awareness of them. Its policy should:

- a) Determine all types of risks for Mediaset España, including operational, technological, legal, and taxation, as well as any other risk faced by the company including contingent liabilities and other risks financial or economic risks;
- b) Determine an acceptable level of risk for Mediaset España;
- c) If such risks should materialize, ensure there are mechanisms that can precisely determine measures to mitigate the impact of the identified risks;
- d) Establish internal communication and control measures to control and manage any risk.

Regarding related-party transactions, until this matter is passed on to another committee, the Audit and Compliance Committee shall be responsible for proposing the policy to be pursued in these kinds of transactions and for informing the Board of Directors of this policy. The policy on related-party transactions should be made public in the Annual Corporate Governance Report.

6: Regarding shareholders:

The Audit and Compliance Committee should maintain an ongoing channel of communication with the shareholders and in this regard inform the General Shareholders'

Meeting of any matters which may be raised by the shareholders during the meeting and which are within the Committee's remit; it should also be aware of and if necessary respond to the initiatives, suggestions or complaints raised by the shareholders with respect to the scope of the Committee's functions when such questions are submitted to it by the Board of Directors.

7: Regarding transparency and the rules of corporate governance.

The Audit and Compliance Committee should ensure compliance with the rules of transparency and proper implementation of the rules of corporate governance and corporate social responsibility. It shall be responsible for:

- a) Following up on the observance of the rules on transparency and reporting to the Board of Directors on the subject.
- b) Monitoring the observance of the Internal Code of Conduct in stock markets, and, in general, of the rules of governance and the Company's compliance, and making such proposals as may be necessary to improve them.
- c) Checking timely compliance with the rules in force relating to communicating Relevant Events.
- d) Informing the Board of Directors in advance of the creation or acquisition of shareholdings in special purpose entities or those domiciled in countries or territories which are considered tax havens, as well as any other transactions or operations of a similar nature which could, because of their complex nature, threaten the transparency of the Group.
- e) Supervise adherence to the recommendations on corporate governance and corporate social responsibility.
- f) Monitor the mechanism that allows employees to report, confidentially and, if deemed appropriate, anonymously, of potentially significant irregularities, financial, accounting or otherwise, which they may detect in the Mediaset Group.
- g) Summon any employee or Director of the Mediaset España Group to require accountability for the matters which the Committee deems appropriate.

**V. - Meetings**

During 2016, the Audit and Compliance Committee has met five (5) times, which are detailed as follows, listing the issues discussed in each

**1. Meeting held on February 24<sup>th</sup>, 2016.**

- 1) Proposal of the Financial Statements for the second half of 2015 for approval by the Board of Directors and communication to the National Stock Market Commission (CNMV).

- 2) Proposal to the Board of Directors for formulation of the Company's 2015 Annual Accounts, both individual and Consolidated, including the Management Report.
- 3) Annual Corporate Governance Report 2015.
- 4) Strategic objectives 2016 and approval of the 2016 Risk Map.
- 5) The Committee's 2015 Annual Activity Report.
- 6) Related-party transactions report.
- 7) Auditor's Independence Report.

**2. Meeting held on May 6<sup>th</sup>, 2016.**

- 1) Proposal of the first quarter Financial Statements 2016 for the approval by the Board of Directors and subsequent communication to the National Stock Market Commission (CNMV).
- 2) Internal Audit Department's Activity Report.

**3. Meeting held on July 27<sup>th</sup>, 2016.**

- 1) Proposal of the first half Financial Statements 2016 for the approval by the Board of Directors and subsequent communication to the National Stock Market Commission (CNMV).
- 2) Internal Audit Department's Activity Report.
- 3) Proposal for a new Internal Code of Conduct in Stock Markets.

**4. Meeting held on October 26<sup>th</sup>, 2016.**

- 1) Proposal of the third quarter Financial Statements 2016 for the approval by the Board of Directors and subsequent communication to the National Stock Market Commission (CNMV).
- 2) Internal Audit Department's Activity Report.
- 3) Approval of Policies: Tax Policy, CSR Policy, Environmental Policy and Communication Policy with Shareholders and Investors.

**5. Meeting held on December 15<sup>th</sup>, 2016.**

- 1) Audit Committee's Activity Report 2016.
- 2) Approval of the 2016 Internal Audit Plan.
- 3) Implementation of the Crime Prevention Model.

- 4) 2017 Risk Plan: Proposal of Strategic Objectives.

**VI.- Activity Report:**

For a better understanding of the activities undertaken by the Audit and Compliance Committee during 2016, it has been grouped into five categories:

- A. Financial-economic information
- B. External Audit
- C. Internal Audit - Annual Plan
- D. Corporate Governance Regulations
- E. Risk Control.
- F. Other

**A. Economic and financial information.**

Mediaset España's Audit and Compliance Committee has verified the following information during 2016:

- ✓ On a quarterly basis the Committee verified the financial information previously proposed to the Board for submission to the National Stock Market Commission (CNMV).

This periodic financial information, together with the relevant facts communicated to the National Stock Market Commission (CNMV), are also available on the corporate website [www.Mediaset España.es](http://www.Mediaset España.es)

- ✓ Supervise that Mediaset España and its Group's Consolidated Annual Accounts are presented under International Accounting Standards (IASs) approved by the European Union.
- ✓ The Committee has not issued opinions on managements proposals to modify accounting principles and criteria, as the formulation of Mediaset España and its Group's financial statements complies with current regulations.
- ✓ The Committee has analysed the Internal Control System of Financial Reporting (ICFR) in accordance with the requirements of Italian Law 262.

**B. External Audit.**

- ✓ The Audit Committee proposed to the Board of Directors the re-election of the firm "ERNST & YOUNG, SL" as auditors of "MEDIASET ESPAÑA COMUNICACIÓN, SA" and its Consolidated Group of Companies, for 2016.

"ERNST & YOUNG, SL" were initially appointed auditors of the Company and its Consolidated Group at the Annual Shareholders General Meeting held on April 11, 2008, for 2008, 2009 and 2010.

- ✓ The Internal Audit and Compliance Committee have been duly informed by the auditor of Mediaset España and its Group, of the audit's progress. In this sense, there have been several meetings with the audit team in which they have informed them of the status of their work.
- ✓ Mediaset España and its subsidiaries Audit Report on the individual and consolidated annual accounts was issued without qualifications.
- ✓ In view of the above, the Committee proposed to the Board the formulation of Mediaset España's individual and consolidated annual accounts, together with the corresponding audit reports.
- ✓ Meetings with the auditors have also been held prior to the Board of Directors approval of the interim financial accounts.
- ✓ "ERNST & YOUNG"'s fees corresponding to the 2016 annual accounts audit services, amounted to 282,593 euros. The fees corresponding to other professional services provided to the Group by the audit firm have amounted to 12,620 euros, which represents a 4.27% of the total amount invoiced by "ERNST&YOUNG", S.L, due, among other reasons, for work regarding the review of various regulatory commitments. The definitive amounts are pending confirmation.

### **C. Internal Audit - Annual Plan**

1. The Committee is responsible for overseeing the operation of the Internal Audit Department to ensure that the internal control of Mediaset España and its Group of companies is properly managed.

Continuous contact has been maintained with the Department Director and the Committee has been regularly informed of the work that has been done. In this regard:

- ✓ The Committee has approved the 2016 Annual Plan of activities, without any recommendation.
- ✓ The Committee held meetings with the Internal Audit Department's Director on a quarterly basis regarding the development of the Activities Plan for the year and the degree of compliance with its recommendations.
- ✓ The management of the internal audit department has reported to the Committee on risk control devices.

2. The Internal Audit Department's Annual Plan of activities in 2016 is as follows:

MEDIASET ESPAÑA  
PLANNING FOLLOW-UP INTERNAL AUDIT 2016

PROJECTS	1 <sup>st</sup> Quarter.
1 LAW 262 Compliance Review (annual)	
2 ERM Update	
3 Audit compliance CNMC conditions	
4 Implementation of the MPDD (Crime prevention and detection model)	
5 Review and update of programming processes (implementation of the programming grid software)	
6 Review of SCIIF (Internal Control System of Financial Reporting)	
7 "Ocho apellidos vascos" Revenue Audit	
8 Analysis of the use of social networks by presenters and collaborators	

MEDIASET ESPAÑA  
PLANNING FOLLOW-UP INTERNAL AUDIT 2016

PROJECTS	2nd Quarter.
1 Analysis discounts on advertising sales	
2 Audit of "Ana Rosa's program"	
3 Audit of News Suppliers	
4 Audit of contents flow until its broadcast on different platforms	
5 Implementation of the MPDD (Crime prevention and detection model)	
6 Diagnosis and update of programming processes (implementation of the programming grid software)	
7 Follow-up of the digital transformation project	

MEDIASET ESPAÑA  
PLANNING FOLLOW-UP INTERNAL AUDIT 2016

PROJECTS	3 <sup>rd</sup> Quarter
1 SGAE (Spanish Society of Authors Composers and Publishers) Revenue audit	
2 LAW 262 Compliance Review (biannual)	
3 Audit Certification Compliance OHSAS (Prevention of Occupational Hazards)	
4 Audit of treasury management	
5 Cybersecurity risk analysis	
6 ERM monitoring	
7 Coordination and support in the tax inspection	

MEDIASET ESPAÑA  
PLANNING FOLLOW-UP INTERNAL AUDIT 2016

PROJECTS	4 <sup>th</sup> Quarter.
1 "Ocho apellidos catalanes" Revenue Audit	
2 Monitoring of Grupo Mediaset España's ERM	
3 Money Laundering Audit of Premiere	
4 Diagnosis and review of the programming processes (implementation of the software	
5 Follow-up on the HD channel assignment conditions	
6 Monitoring compliance of political parties advertising expenditure	
7 Audit of treasury management	

**D. Rules of Corporate Governance**

- The Committee has approved the Annual Corporate Governance Report which was submitted to the Board, approved by a majority and subsequently communicated to the National Stock Market Commission (CNMV) and made available to shareholders.

The Annual Report was prepared in accordance with the provisions of Article 116 of the Securities Market Law 24/1988 of 28<sup>th</sup> July, in the Order Eco/3722/2003 and National Stock Market Commission (CNMV) Circular 1/2004 of 17<sup>th</sup> March.

- Communications of relevant facts to the National Stock Market Commission (CNMV) have been made on time and correctly. A channel of communication has also been established with Mediaset España's institutional investors through the website and the Investor Relations Department.
- The Committee has analysed all related party transactions carried out by the Mediaset España Group's companies that were outside the ordinary course of trade or their respective activity, either for qualitative or quantitative reasons.
- The Committee has monitored the changes made in the Company's governance rules: the Articles of Association, the General Meeting Regulations, the Board of Directors Regulations and the Regulations of the two committees, the Audit and Compliance Committee and Appointments and Remuneration Committee.
- The Committee has approved the following policies: Tax Policy, CSR Policy, Environmental Policy and Communication Policy with Shareholders and Investors.

- The Committee has approved the Internal Code of Conduct in Stock Markets.
- The Committee has continued with the implementation of the Crime Prevention Model.

**E. Risk Control.**

The Risk Management System implemented by Mediaset España Comunicación, S.A. (The "RMS" hereinafter) covers a series of processes and procedures developed internally in order to provide reasonable assurance of achieving the Group's objectives.

The RMS, based on the Enterprise Risk Management (ERM) framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO II), whose main objective is to provide the highest level of security, safety and transparency to our shareholders, to the various regulatory bodies National Stock Market Commission and the Spanish Competition and Markets Authority (CNMV, CNMC, etc.), to other stakeholders and, in general, the financial markets, and increase the company's value creation through proper risk management and leveraging opportunities that arise.

The RMS allows for the evaluation (in Euros) of the impact of each risk identified and which could potentially affect the Group's companies, its probability of materialization and degree of control over each of them.

The Integral Management of Corporate Risk Policy is part of the said System and represents the framework on which the Integral Management of Corporate Risk Model (ERM) is based, which has the following principles:

- Ensure the effectiveness and efficiency of operations.
- Protect the assets owned by the Group.
- Ensure the reliability and integrity of financial information.
- Comply with the laws, regulations and applicable contracts.

With regards to the management bodies of Mediaset España Comunicación, S.A, the Board of Directors has been assigned the task of identifying the Group's main risks as well as implementing and following up on the information and internal control systems and suitable information. The Board of Directors of Mediaset España Comunicación, S.A is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance and monitoring of an adequate internal control system, as well as the development of improvements to that system. During 2016 the Audit Committee has reviewed the updated risk map of the company in which it has included tax and criminal risks.

Additionally, one of the Audit and Compliance Committee's fundamental responsibilities is to know, check and monitor the adequacy and integrity of the financial information preparation processes and risk management systems.

The Internal Audit Management is responsible for:

- promoting and supporting risk management;
- assuring the Board of Directors of the effective supervision of the Internal Control System, by exercising an independent and objective corporate function of assurance and consulting designed to add value and improve Mediaset España's operations;
- assessing, monitoring and tracking business risks identified and managed by each of the different areas and departments of Mediaset España Group's companies;
- Supervising and coordinating activities related to IT security and to continuously develop and review the internal procedures in risk areas.

As a tool for carrying out these functions, the Internal Audit Department prepares the Annual Audit Plan based on the evaluation of the risks and suggestions received from both the Audit and Compliance Committee, and the various General Managements. This plan is presented for discussion and approval to the Audit Committee and Compliance.

In this Plan, the Internal Audit Management specifies:

- The Internal Audit Department's annual objectives.
- List of activities to be carried out (review procedures, compliance audits, development of procedures, special assignments, etc.)
- The calendar for when these activities will take place.
- Work teams assigned to each activity.
- Number of hours scheduled for each job and total number of hours of the Plan.

With regards to the time invested by the Internal Audit Department during 2016, 57% of hours were spent performing operational and compliance audits, 24% hours were spent consulting, 17% on evaluation and risk review and 2% on training.

In order to support Mediaset España Comunicación, S.A.'s annual accounts audit, during the second half of the year the Internal Audit Department's management and a team of specialists from the audit firm reviewed the control environment and security of the information systems, relating to the financial procedures and software applications that provide support thereto. During this work, the level of control and security processes applied to each business cycle was revised.

On the other hand, in addition to the controls established in each of the processes related to financial reporting and operational procedures, the Mediaset España Group has the following control units, as well as the Internal Audit Department:

- The Risk Committee, formed by the General Managers of Mediaset España Comunicación, Publiespaña and Publimedia Gestión and the Internal Audit Director, is a forum for common responses to the needs of management regarding risks, taking advantage of the synergies that may exist to efficiently carry out the minimization and control of the Group's risks. It facilitates the implementation of procedures that involve various General Managers and helps them in the daily operations of risk management. Finally, the Risk Committee is responsible for communicating to the Internal Audit Department, the need for procedures to satisfy the Risk control in its unit.
- The Control Units dependent on the General Operations' Management, carrying out controls related to budget management, expenses, meeting objectives and performance.
- The Purchases and Sales Committee supervises purchase transactions whose amount exceeds 20,000 euros. During 2015 the Committee met on 38 occasions.
- The IT Security Department conduct audits and periodic controls on existing systems and IT applications in Mediaset España's Group of companies.
- The Compliance and Prevention Unit, under the Audit and Compliance Committee and is formed by the Corporate General Director, the General Director of Management and Operations, Publiespaña's General Director and the General Director of Contents. The Internal Audit Director acts as Secretary of the same. Amongst its functions are the obligations related to the prevention of crimes and fraud Policy, the obligations related to the Code of Ethics and the obligations related to the Internal Code of Conduct in the Stock Markets.

During 2016 the following risks affecting the Company and / or its group have materialised:

- **Materialised risk during the year:** development of national and international economic situation.

**Causal circumstances:** Dependence of national and international economic situation, country risk, financial situation of companies that invest in advertising.

**Operation of control systems:** control systems established under the Risk Management System and Corporate Risk Integral Management Policy worked properly for the risks that occurred during the year 2016.

- **Materialised risk during the year:** inherent risks to the main activity of Mediaset España Comunicación, S.A.

**Causal circumstances:** credit risk, liquidity and market, income concentration on advertising activity and cyclical nature of the advertising industry, production risk and film projects' profitability.

**Operation of control systems:** control systems established under the Risk Management System and Integral Corporate Risk Management Policy worked properly for the risks that occurred during the year 2016.

- **Materialised risk during the year:** regulatory risk.

**Causal circumstances:** toughening regulation framework for the audio-visual sector.

**Operation of control systems:** control systems established under the Risk Management System and Integral Corporate Risk Management Policy worked properly for the risks that occurred during the year 2016.

## **VII. Functioning of the Shareholders General Meeting.**

The Ordinary General Shareholders Meeting of "MEDIASET ESPAÑA COMUNICACIÓN, S.A." was held on 14<sup>th</sup> April 2016, at 12:00 pm, on first call, attended by 724 shareholders present and 1,258 represented shareholders among them of 300,538,859 shares, representing 85.450% of the share capital of the Company.

Prior to the holding of the meeting, well in advance, it became public the call together with the Agenda and the proposal of resolutions previously approved by the Board of Directors. From the time the call was made all documentation relating to the General Meeting was available to shareholders.

The Shareholders Meeting was chaired by the Chairman of the Board and the CEOs, presidents of the Appointments and Remuneration Committee and members of the Board of Directors attended.

The following resolutions were approved by a majority:

**First.** - Examination and approval of the Annual Accounts (balance Sheet, profit and loss account, statement of changes in equity, cash flow statement and the annual report) and Management Reports for both "MEDIASET ESPAÑA COMUNICACION, S.A.", and its Consolidated Group of Companies for the year ending December 31<sup>st</sup>, 2015.

**Second.**- Distribution of Profit for 2015.

**Third.**- To examine and approve the management of the company by the Board of Directors during 2015.

**Fourth.**- Reduce the share capital of the Company through the amortization of treasury shares.

**Fifth.** - Awarding Company shares to Directors who perform executive duties and to Senior Managers, as part of the variable remuneration accrued in 2015.

**Sixth.** - Authorize the Board of Directors so that, as the case may be, it may establish a remuneration system directed to Executive Directors and Directors of the Group of Companies linked to the value of the shares of the Company.

**Seventh.** - Annual Remuneration of Directors Report of Mediaset España Comunicación, S.A.

**Eighth.** - Authorize the Board of Directors for the acquisition of own shares by the Company on the terms provided by law with the express power to apply them to the remuneration programs and / or provide for their sale or cancellation reducing the share capital, revoking, with regards to the amount not used, the delegation approved by the General Meetings of previous years.

**Ninth.** - Appointment of auditors of both “MEDIASET ESPAÑA COMUNICACION, S.A.” and its consolidated group of companies.

**Tenth.**- Delegation of powers to sign, interpret, correct and execute previous resolutions, as well as to substitute the powers received by the Board of Directors from the Annual Meeting.

### **VIII.- Functioning of the Board of Directors.**

The Board of Directors met six (6) times, with a very high attendance of its members. All meetings were chaired by its Chairman and, the General Operations ‘Manager, who is also a member of Board of Directors attended.

The call, preparation of the Agenda and provision of information have been made according to the rules established in the Articles of Association and the Board of Directors Regulations.

As for the other decision-making bodies, the Executive Committee met four (4) times and the Audit and Compliance Committee met five (5) times, in both cases most of its members attended; Minutes were recorded of all meetings.

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