

**Independent Limited Assurance Report on the 2016 Annual Corporate Governance Report**

**MEDIASET ESPAÑA COMUNICACIÓN, S.A.**

## INDEPENDENT LIMITED ASSURANCE REPORT ON THE ANNUAL CORPORATE GOVERNANCE REPORT

To the Board of Directors of MEDIASET ESPAÑA COMUNICACIÓN, S.A.

### *Scope of work*

We have performed a limited assurance engagement related to the information included in clauses A, B, C, D, E, G, and H of the Annual Corporate Governance Report of MEDIASET ESPAÑA COMUNICACIÓN, S.A. corresponding to the year ended December 31, 2016, prepared in accordance with the terms outlined in Article 540 of Capital Corporates Law, Order ECC/461/2013 of March 20, which determines the minimum content and structure of the Annual Corporate Governance Report, and Circular 5/2013, of June 12, of the Spanish National Securities Market Commission (CNMV), which establishes the models of the Annual Corporate Governance Report, among others, of listed corporations, amended by Circular 7/2015, dated December 22, of the CNMV.

With regard to the contents of Section G of the Annual Corporate Governance Report, and recommendations made on the Unified Good Governance Code not implemented by the Company, the directors of MEDIASET ESPAÑA COMUNICACIÓN, S.A. provide the explanations they deem as appropriate. Due to its nature, in such cases, our work has consisted of verifying the samples obtained according that the information contained in the Report do not contradict the evidence obtained by applying the performed procedures.

### *Directors' responsibility*

The Directors of MEDIASET ESPAÑA COMUNICACIÓN, S.A. are responsible for the preparation, the contents, and the presentation of the accompanying Annual Corporate Governance Report. This responsibility includes the design, implementation, and maintenance of the internal control deemed necessary to ensure that the Annual Corporate Governance Report is free of any material errors resulting from fraud or error.

The Directors of MEDIASET ESPAÑA COMUNICACIÓN, S.A. are also responsible for defining, implementing, adapting, and maintaining the management systems necessary for preparing the Annual Corporate Governance Report.

### *Our responsibility*

Our responsibility is to issue a limited assurance report based on the procedures we have performed as well as evidences obtained. We have performed our assurance work in accordance with International Standard for Assurance Engagements (NIEA 3000) (Revised), "Assurance Engagements other than Audit and Review of the Financial Information Framework" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The work carried out for a limited assurance report on procedures performed varies in nature and time, and is less extensive than a reasonable assurance report, and therefore, the degree of assurance is also less extensive.

Our procedures performed for the purposes of this engagement are based on our professional judgment and consisted in making inquiries of corporate management and applying certain sample-based analytic and review procedures. Specifically, the procedures we performed are the following:

- Reading and understanding the information prepared by the Company and included in the Annual Corporate Governance Report, to determine whether it encompasses the entirety of the contents mandated by Article 540 of Capital Companies Law and Order ECC/461/2013 of March 20, as well as Circular 5/2013, of June 12, of the CNMV, in its redaction set forth in Circular 7/2015 of December 22, of the CNMV.
- Review of legal documentation, minutes of the General Meetings of Shareholders and Board of Directors, of the 2016 separate and consolidated financial statements, as well as any internal and external communication related to the appropriateness of the information covered by the Annual Corporate Governance Report.
- Holding meetings with MEDIASET ESPAÑA COMUNICACIÓN, S.A. personnel including members of Management as well as other parties responsible for the different Company governance areas covered in this report.
- Analysis of the Company's procedures for collecting and validating data and information presented in the Annual Corporate Governance Report.
- Using review tests based on a sample selection of the quantitative disclosures included in the Annual Corporate Governance Report, verification of the appropriate compilation of data supplied by the Management of MEDIASET ESPAÑA COMUNICACIÓN, S.A., and where necessary, the figures presented on the 2016 separate and consolidated financial statements provided by Management.
- Obtaining the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the Annual Corporate Governance Report.

#### *Our independence and quality control*

We have complied with the applicable ethics codes, including those related to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA).

Our Firm complies with guidelines in the International Standard on Quality Control (NICC 1), a global quality control system including the documented policies and procedures related to complying with ethics, professional standards, as well as applicable legal and regulatory guidelines.

#### *Conclusions*

As a result of the procedures we performed and the evidences obtained, no matters came to our attention which would lead us to conclude that clauses A, B, C, D, E, G, and H of the accompanying Annual Corporate Governance Report of MEDIASET ESPAÑA COMUNICACIÓN, S.A. corresponding to the year ended December 31, 2016 contain significant errors, or that the information has not been prepared in accordance with the principles established in Article 540 of Capital Companies Law, Order ECC/461/2013 of March 20, and Circular 5/2013, of June 12, of the CNMV, in its redaction set forth in Circular 7/2015 of December 22, of the CNMV.

#### *Other matters*

This report in no case should be considered an audit report in the terms established under regulatory auditing standards prevailing in Spain.

The scope of this Report does not include a review of the information contained in Section F of the Annual Corporate Governance Report, which contains a description of MEDIASET ESPAÑA COMUNICACIÓN, S.A.'s Internal Control System over Financial Reporting (ICFR).

Carlos Hidalgo Andrés

February 23, 2017

## APPENDIX I

### ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

#### COMPANY IDENTIFICATION

YEAR ENDED: 12/31/2016

C.I.F. A-79075438

Company name:  
MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Registered address:

CARRETERA DE FUENCARRAL A ALCOBENDAS 4 – MADRID 28049

**ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES**

**A SHAREHOLDER STRUCTURE**

A.1 Fill in the following table on the company's share capital

Date of last modification	Share capital (euros)	Number of shares	Number of voting rights
04/13/2016	168,358,748.00	336,717,490	336,717,490

Indicate if there are different classes of shares with different rights attaching to them:

Yes

No

A.2 Give the breakdown of those – other than directors – who directly or indirectly owned major shareholdings in the company at the close of the business year:

Shareholder's name or company name	Number of voting rights held directly	Number of voting rights held indirectly	% of total voting rights
BLACKROCK INC	0	13,655,170	4.06%
INVESCO LIMITED	0	6,982,318	2.07%
MR. SILVIO BERLUSCONI	0	169,058,846	0.00%
MEDIASET SPA	169,058,846	0	50.21%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
BLACKROCK INC	UNIDENTIFIED	13,655,170
INVESCO LIMITED	UNIDENTIFIED	6,982,318
MR.SILVIO BERLUSCONI	MEDIASET SPA	169,058,846
MEDIASET SPA		0

Indicate the main changes in the shareholder structure seen during the year:

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
FMR LLC	05/27/2016	3% of the capital has decreased

A.3 Fill in the following tables on the members of the company's Board of Directors who hold voting rights on company shares:

Name or company name of the director	Number of voting rights held directly	Number of voting rights held indirectly	% of total voting rights
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	17,640	654	0.01%
MR. ANGEL DURÁNDEZ ADEVA	4,237	0	0.00%
MR. ALEJANDRO ECHEVARRÍA BUSQUET	47,023	0	0.01%
MR. FRANCISCO DE BORJA PRADO EULATE	719	7,412	0.00%
MR. MARIO RODRÍGUEZ VALDERAS	10,303	0	0.00%
MR. PAOLO VASILE	8,426	0	0.00%
MR. MASSIMO MUSOLINO	16,470	0	0.00%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	ALVARVIL, SA	654
MR. FRANCISCO DE BORJA PRADO EULATE	BOPREU, SL	7,412

<b>% of total voting rights held by directors</b>	0.01%
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Fill in the following tables on the members of the Board of Directors who hold options on company shares.

A.4 Mention any family, commercial, contractual or corporate links of which the company is aware between major shareholders, other than those which are immaterial or are part of their ordinary business or trade:

A.5 Mention any commercial, contractual or corporate links between major shareholders and the company and/or their group, other than those which are immaterial or are part of their ordinary business or trade:

A.6 State whether the Company has been informed of any Shareholders' Agreements affecting it pursuant to Sections 530 and 531 of the Corporate Enterprises Act (LSC). If yes, describe these Shareholders' Agreements briefly as well as the shareholders related there under:

Yes

No  \*

Indicate whether the company is aware of any concerted actions among its shareholders. If so, briefly describe them:

Yes

No \*

Mention any of the above pacts, agreements or concerted actions that have been altered or cancelled during the year:

NOT APPLICABLE

A.7 Mention any natural or legal person who controls or may control the company pursuant to Section 4 of the Securities Market Act. If such a person exists, identify them:

Yes \*

No

Name or company name
Mediaset SPA
Comments

Fininvest SPA (owned by Mr. Silvio Berlusconi) holds 38.98% (38.62% directly and 0.36% indirectly) of the voting rights and appoints the majority of the directors of Mediaset SPA, which owns directly 50.208% of the voting rights of Mediaset España Comunicación, S.A.

A.8 Fill in the following tables regarding treasury stock of the company:

**At year-end:**

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.00%

**(\*) Held through:**

Details of any material changes, pursuant to Royal Decree 1362/2007, which have taken place during the year:

Explain the material changes

As a consequence of the Annual General Meeting on April 13, 2016, the shareholders agreed to a share capital decrease through the redemption of 29,457,794 treasury shares, representative of 8,04% of share capital. Such operation was communicated to CNMV on April 20, 2016.



## A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

The General Shareholders' Meeting held on April 13, 2016, under item 10 of the agenda, authorized the Board of Directors to acquire and transfer own shares, with a total of 267,670,006 votes representing 98.7984% of share capital in favor, 3,238,686 votes representing 1.1954% of share capital against, 15,555 abstentions representing 0.0057% of share capital and 1,245 blank votes representing 0.0005% of share capital. This mandate shall remain effective until the next General Shareholders' Meeting, slated for 2017.

The content of the resolution adopted is as follows:

1. To authorize the Board of Directors of Mediaset España Comunicación, S.A. in accordance with the provisions of Section 146 and following of the Corporate Enterprises Act currently in effect, to proceed, to the extent they consider this appropriate under the circumstances, to buy back shares of the company by any means, subject to the following limits and requirements:

- a) The shares may be acquired by purchase or any other form of transfer for good and valuable consideration.
- b) The nominal value of the company shares acquired and the shares already owned, shall not exceed 10% of the share capital, or the legally-established maximum amount.
- c) Shares acquired shall be free of all encumbrances or charges, totally paid and not subject to any other obligation.
- d) The minimum purchase price of the shares shall not be less than their nominal value, and the maximum price shall not exceed one hundred and twenty per cent (120%) of their listed value on the purchase date.
- e) Effective period of the authorization: Five (5) years starting from the date of the present agreement.
- f) These transactions shall furthermore be carried out in compliance with the relevant rules contained on the matter in the Company's Internal Code of Conduct.

2. Void the authorization agreed regarding this matter at the General Shareholders' Meeting held on April 9, 2014 in the unused amount.

3. Authorize the Board of Directors to:

- (i) use own shares purchased, or to allocate all or some of the own shares purchased to implement remuneration schemes aimed at or entailing the delivery of shares or share options, in accordance with article 146.1.a) of the Capital Companies Act; and/or
- (ii) sell them; and/or
- (iii) redeem them with a decrease in share capital.

The Board of Directors is delegated the broadest powers as regards redeeming shares acquired within the scope of this agreement, as well as the related capital decrease, to delegate all the powers necessary to any of its members and the CEO and the Board secretary to carry out the capital decrease in one or several portions, within a maximum period of five years commencing when this agreement is approved, including performing the following tasks, including but not limited to:

- a) the power to establish the exact amount of the decrease, which may never be higher than the nominal value of shares acquired with the scope of this agreement;
- b) determine the specific amount of treasury shares to be redeemed;
- c) establish the decrease date/dates;
- d) execute the capital decrease as considered appropriate, establishing applicable regulations on creditors' right of opposition as set forth in Article 335 c) of Capital Companies Law, and carry out the necessary steps to meet applicable legislation in this regard;
- e) amend Article 5 of the bylaws to reflect the new share capital figure as well as number of Company shares;
- f) publish corresponding announcements;
- g) appear before the Notary of choice to issue the corresponding capital decrease, granting notary instruments, including any deeds to correct, complement, or clarify them to obtain the capital decrease inscription at the Mercantile Registry, and where applicable, request partial inscription;
- h) send all pertinent announcements regarding the capital decrease to competent regulatory authorities, including notification to the CNMV to file the necessary paperwork and present any required documentation

with competent authorities so that once the Company shares have been redeemed, and the capital decrease deed filed with the Mercantile Registry, resulting in the exclusion from trading of the shares on the Madrid, Barcelona, Bilbao, and Valencia stock exchanges through the Spanish Stock Market Interconnection System (Continuous Market). Cancel the corresponding accounting registers, and take any steps necessary to ensure full effectiveness of the capital decrease agreement in the eyes of any Spanish or foreign public/private bodies, including the declaration, complement, or correct defects or omissions which might block or impede the full effectiveness of the capital decrease agreement.

A.9.bis Estimated floating capital:

	%
Estimated floating capital	49.79

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes  No \*

A.11 State if at the General Shareholders' Meeting it was agreed that neutralization measures would be taken up on a takeover bid under Law 6/2007.

Yes  No \*

If applicable, explain the measures approved and the terms under which the restrictions shall not apply:

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes  No \*

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

## B GENERAL SHAREHOLDERS' MEETING

- B.1 State and, if applicable, detail whether there are any differences from the regulations on the minimum provided for by the LSC regarding the quorum necessary to hold the General Shareholders' Meeting.

Yes \*

No

	<b>% of quorum different from that established in Section 193 of the LSC for general cases</b>	<b>% of quorum different from that established in Section 194 of the LSC for special cases under Section 194 of the LSC</b>
Quorum required on 1st call	50.00%	0.00%
Quorum required on 2nd call	0.00%	0.00%

### Description of differences

According to Mediaset's Bylaws, the General Meeting shall be validly convened with the attendance, either personally or by proxy, of at least fifty per cent of share capital subscribed and with voting rights, rather than the twenty-five per cent required in the LSC.

The percentages required in second call in the Bylaws are the same as in the LSC.

The quorum required on the first and second call for the General Shareholders' Meeting to validly agree on the issuance of obligations, a capital increase or reduction, transformation, merger or spin off the Company and, in general, any modification to the Bylaws (Section 194 of the Corporate Enterprises Act).

- B.2 State and, if applicable, detail whether there exist differences from the provisions set forth in the LSC for the adoption of company's agreements:

Yes

No \*

Describe any differences from the provisions set forth in the LSC.

- B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

To make any amendments in the Bylaws deemed to be called and validly constituted, attendance on first call shall be necessary of shareholders, whether present or represented, possessing at least fifty-percent (50%) of the subscribed capital with voting rights. During second call, any percentage of subscribed capital will be considered valid.

Should the shareholders be called to a general meeting to discuss modifications in Bylaws, during first call shall fifty (50%) percent of attendance will be necessary of shareholders of subscribed capital with voting rights. On second call, attendance of twenty-five (25%) percent of such capital shall be sufficient.

In addition, when proposals have been submitted to amend the Bylaws, shareholders receive a report explaining the proposed amendments drawn up by the Board of Directors. No proposals to amend by the Bylaws have been made to date that would be detrimental to any class of shares. In the event such proposals are made, the measures set out in the law to protect shareholders' rights would apply.

B.4 Provide the following figures on attendance to the General Shareholders' Meetings held during the year covered by this report and the previous year:

Date of the General Shareholders' Meeting	Attendance figures				Total
	Attended Personally (%)	Attended by Proxy (%)	% remote voting		
			Electronic means	Other	
04/15/2016	55.13%	28.32%	0.00%	3.87%	87.32%
04/13/2016	55.28%	26.79%	0.00%	1.36%	83.43%

B.5 Indicate whether there is any restriction in the Bylaws establishing a minimum number of shares necessary to attend the General Shareholders' Meeting:

Yes

No \*

B.6 Annulled section

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website.

Any information concerning corporate governance, or General Shareholders' Meetings held or scheduled, is accessible to all shareholders on the Company's website through the following URL: <http://www.mediaset.es/inversores/es/>.

## C COMPANY GOVERNING BODIES

C.1 Board of Directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws:

Maximum number of directors	<b>19</b>
Minimum number of directors	<b>11</b>

C.1.2 Fill in the following table on Board members:

Name or company name of the director	Proxy	Board member category	Position on the Board	Date of first appointment	Date of last appointment	Method of appointment
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES		Independent	Director	07/28/2004	04/15/2015	Agreement General Shareholders' Meeting
MR. ANGEL DURÁNDEZ ADEVA		Independent	Director	05/20/2004	04/15/2015	Agreement General Shareholders' Meeting
MR. ALEJANDRO ECHEVARRÍA BUSQUET		Other external	Chairman	05/15/1996	04/09/2014	Agreement General Shareholders' Meeting
MS. HELENA REVOREDO DELVECCHIO		Independent	Director	04/01/2009	04/09/2014	Agreement General Shareholders' Meeting
MR. FRANCISCO DE BORJA PRADO EULATE		Independent	Director	07/28/2004	04/15/2015	Agreement General Shareholders' Meeting
MR. MARIO RODRÍGUEZ VALDERAS		Executive	Secretary Board Member	04/09/2014	04/09/2014	Agreement General Shareholders' Meeting
MR. GIUSEPPE TRINGALI		Proprietary	Vice - president	03/29/2004	04/09/2014	Agreement General Shareholders' Meeting
MR. GIULIANO ADREANI		Proprietary	Director	09/26/2001	04/09/2014	Agreement General Shareholders' Meeting
MR. ALFREDO MESSINA		Proprietary	Director	06/30/1995	04/09/2014	Agreement General Shareholders' Meeting
MR. FEDELE CONFALONIERI		Proprietary	Vice - president	12/21/2000	04/09/2014	Agreement General Shareholders' Meeting
MR. MARCO GIORDANI		Proprietary	Director	05/07/2003	04/09/2014	Agreement General Shareholders' Meeting
MR. PAOLO VASILE		Executive	Chief Executive Officer	03/29/1999	04/09/2014	Agreement General Shareholders' Meeting
MR. MASSIMO MUSOLINO		Executive	Director	04/09/2008	04/17/2013	Agreement General Shareholders' Meeting
<b>Total number of directors</b>						<b>13</b>

Indicate any board members who left during this period:

C.1.3 Fill in the following tables on the members of the Board and the different category in which they serve:

### **EXECUTIVE DIRECTORS**

Name or company name of the director	Position within the organization
MR. MARIO RODRIGUEZ VALDERAS	Secretary and Managing Director
MR. PAOLO VASILE	Chief Executive Officer
MR. MASSIMO MUSOLINO	General and Transaction Manager

<b>Total number of executive directors</b>	3
<b>Total % of the Board</b>	23.08%

### **EXTERNAL PROPRIETARY DIRECTORS**

Name or company name of the director	Name of the individual or company who is a major shareholder and is represented by or has proposed the appointment of the external director
MR. GIUSEPPE TRINGALI	MEDIASET SPA
MR. GIULIANO ADREANI	MEDIASET SPA
MR. ALFREDO MESSINA	MEDIASET SPA
MR. FEDELE CONFALONIERI	MEDIASET SPA
MR. MARCO GIORDANI	MEDIASET SPA

<b>Total number of external proprietary directors</b>	5
<b>Total % of the Board</b>	38.46%

### **INDEPENDENT EXTERNAL DIRECTORS**

**Name or company name of the director:**

MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES

**Profile:**

University Professor, PhD in Economics and Law Degree, Chairman of Peugeot España, S.A., and Vice-president of Peugeot Citroën Automóviles España, S.A., Chairman of Sanitas, Member of the Board of Directors of Assicurazioni Generali España, Chairman of IEB Gestión Global SL.

**Name or company name of the director:**

MR. ANGEL DURÁNDEZ ADEVA

**Profile:**

Economy degree, Professor of Commerce, registered Auditor, and founding member of the Official Register of Auditors. He joined Arthur Andersen in 1965 and was a partner in the firm from 1976 to 2000. Until March 2004, he directed the Euroamerica Foundation, of which he was the founding sponsor; the entity is devoted to fostering business, political, and cultural relationships within the European Union and other Latin American countries. He is currently on the Repsol S.A. Board of Directors, as well as those of Quántica Producciones, S.L., and Ideas4all, S.L., member of the FRIDE (Fundación para las Relaciones Internacionales y el Desarrollo Exterior) Advisory Committee, President of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., member of the Fundación Germán Sánchez Ruipérez Advisory Committee and Vice President of the Fundación Euroamérica.

**Name or company name of the director:**

MS. HELENA REVOREDO DELVECCHIO

**Profile:**

Degree in Business Administration from Catholic University of Buenos Aires  
Senior Manager Program at IESE Business School  
Chairman of Prosegur since 2004 and Director since 1997  
Chairman of Foundation Prosegur since 1997  
President of Euroforum since 2004  
Director of Banco Popular Español since 2007  
Director of Endesa S.A. since 2014

**Name or company name of the director:**

MR. FRANCISCO DE BORJA PRADO EULATE

**Profile:**

Degree in Law  
Chairman of Endesa, S.A.  
Chairman of Fundación Endesa  
Chairman of Global Coverage de Mediobanca  
Director of Mediaset España Comunicación, S.A.  
Member of the Spanish group of the Trilateral Commission  
Director of Enel Iberoamérica  
Director of Peninsula Capital Investments

<b>Total number of independent directors</b>	4
<b>Total % of the Board</b>	30.77%

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

None of the independent board members earns any sum or benefit from the company or own group for any item other than the remuneration for being a director, or maintains, or has maintained in the last year, a business relationship with the company or any company in its group.

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

### **OTHER EXTERNAL DIRECTORS**

Will identify other board members and explain why they cannot be considered independent directors or proprietary directors and their links, whether with the company and its senior management or with its shareholders.

**Name or company name of the director:**

MR. ALEJANDRO ECHEVARRÍA BUSQUET

**Company, executive, or shareholder with whom the relationship is maintained**

MR. ALEJANDRO ECHEVARRÍA BUSQUET - NOT APPLICABLE

**Reasons:**

Having fulfilled the role of member of the Company's board for a period of over 12 years, Mr. Echevarría may not continue as an independent director.

The following is a brief description of Mr. Echevarría's professional profile:

Chairman of the Mediaset España Comunicación, S.A. Board since May of 1996, Alejandro Echevarría was born in Bilbao in 1942. He is a graduate in Business Studies from Escuela Superior de Técnicos de Empresa de San Sebastián (Universidad de Deusto).

He was CEO of El Correo Español–El Pueblo Vasco, the origins of Grupo Correo, subsequently Grupo Correo-Prensa Española and currently Grupo Vocento. He is currently a Board member of the newspapers El Diario Vasco, El Diario Montañés, and Diario El Correo, as well as companies such as Endesa, Consulnor, CVNE, and Willis.

President of the Unión de Televisiones Comerciales Asociadas (UTECA), Vice President of the Deusto Business School, Jury Member of the Príncipe de Asturias Communications and Humanities Award, Patron of the Novia Salcedo Ayuda



contra la Drogadicción Foundations, Vice President of the Foro para la Contratación Pública Socialmente Responsable.

He has also been awarded the following: Best Basque Businessman (1998), Best Business Management ("Future" magazine 1998), Business in Media Values Award, as well as many others.

<b>Total number of other external directors</b>	1
<b>% of the board</b>	7.69%

Mention any changes that have taken place in the category of individual directors during the period:

C.1.4 Complete the following table on the number of female directors over the past four years and their category:

	Number of female directors				% of total directors of each type			
	Year 2016	Year 2015	Year 2014	Year 2013	Year 2016	Year 2015	Year 2014	Year 2013
Executive	0	0	0	0	0.00%	0%	0%	0%
Proprietary	0	0	0	0	0.00%	0%	0%	0%
Independent	1	1	1	1	25.0%	25%	25%	20%
Other external	0	0	0	0	0.00%	0%	0%	0%
<b>Total</b>	1	1	1	1	7.69%	7.69%	7.69%	6.67%

C.1.5 Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between men and women.

**Explanation of measures**

According to Article 5 of the Rules of the Appointments and Remuneration Committee, the functions of this Committee are:

“To inform the Board of Directors about questions relating to gender diversity, ensuring that the selection procedures for filling new vacancies do not result an obstacle for the selection of female directors. At the same time, the Committee shall encourage the Company to search for and include women in the list of candidates meeting the required professional profile.”

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile:

**Explanation of measures**

The Appointments and Remuneration Committee already has a list of women who meet all the requirements for appointment to the Board of Directors of the Company, having performed the pertinent analysis. Any appointment would be studied appropriately at such time as the opportunity arises.

When, despite the measures taken, there are few or no female directors, explain the reasons:

**Explanation of reasons**

There are no specific reasons behind the current number of female directors on Board. It is worth noting that when appointing Proprietary directors, the shareholder represented during the Board meeting is in charge of the selection and appointment process.

C.1.6 bis Explain the conclusions reached by the appointment committee on the verification of compliance with this board member appointment process. Specifically, indicate how these policies will assist in reaching the 2020 goal that at least 30% of Board members be female.

**Explanation of the conclusions**

The Appointments and Remuneration Committee did not perform any verification procedures on the Directors' Appointment Policies during 2016, since during that time no members were reelected, appointed, or ratified.

Where any such circumstances arise, the Board-approved Directors' Appointments Policies, approved on December 16, 2015 imposes the following mandatory directives on both bodies:

- The members must comprise a diverse group with a widespread knowledge base, experience, and gender, with an increasing inclusion of female Board members;
- Any type of implicit bias which might represent discrimination must be avoided, and specifically, which might impede the selection of female Board members.

These policies are public and may be consulted on the corporate website ([www.mediaset.es](http://www.mediaset.es)).

**C.1.7 Explain how shareholders with significant holdings are represented on the board.**

The composition of Mediaset's Board of Directors reflects its shareholder structure, in which the majority shareholder, Mediaset Spa, is represented on the Board of by five members.

**C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital:**

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained:

Yes

No \*

**C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director:**

**C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):**

**Name or company name of the director:**

MR. PAOLO VASILE

**Brief description:**

Joint and several CEO: delegated all powers that can be delegated by law or the Bylaws.

C.1.11 Mention any members of the Board who hold the position of directors or senior managers of other companies that form part of the same group as the listed company:

Name or company name of the director	Company name of the group member company	Position	Does it involve executive functions?
MR. MARIO RODRIGUEZ VALDERAS	Publiespaña, SAU	Secretary - Board Member	NO
MR. MARIO RODRIGUEZ VALDERAS	Grupo Editorial Tele5, SAU	Secretary - Board Member	NO
MR. MARIO RODRIGUEZ VALDERAS	Premiere Megaplex, SAU	Secretary	NO
MR. MARIO RODRIGUEZ VALDERAS	Advertisement 4 Adventure, SLU	Secretary - Board Member	NO
MR. MARIO RODRIGUEZ VALDERAS	Sogecable Editorial, SLU	Sole Director	YES
MR. MARIO RODRIGUEZ VALDERAS	Mediacinco Cartera, SL	Secretary - Board Member	NO
MR. PAOLO VASILE	Publiespaña, SAU	Chairman and Chief Executive Officer	YES
MR. PAOLO VASILE	Grupo Editorial Tele5, SAU	Chairman	NO
MR. PAOLO VASILE	Telecinco Cinema, SAU	Chairman	NO
MR. PAOLO VASILE	Conecta 5 Telecinco, SAU	Chairman	NO
MR. MASSIMO MUSOLINO	Publiespaña, SAU	Director	NO
MR. MASSIMO MUSOLINO	Grupo Editorial Tele5, SAU	Chief Executive Officer	YES
MR. MASSIMO MUSOLINO	Telecinco Cinema, SAU	Chief Executive Officer	YES
MR. MASSIMO MUSOLINO	Premiere Megaplex, SAU	Chairman and Chief Executive Officer	YES
MR. MASSIMO MUSOLINO	Conecta 5 Telecinco, SAU	Board Member	NO
MR. MASSIMO MUSOLINO	Mediacinco Cartera, SL	Chairman and Chief Executive Officer	YES
MR. MASSIMO MUSOLINO	Advertisement 4 Adventure, SL	Chairman	NO

C.1.12 Mention any directors of the company of who the company is aware of being members of the Boards of Directors of non-Group companies listed on official Spanish stock markets:

Name or company name of the director	Company name of the listed company	Position
MR. ANGEL DURÁNDEZ ADEVA	Repsol SA	DIRECTOR
MR. ALEJANDRO ECHEVARRÍA BUSQUET	Endesa, SA	DIRECTOR
MS. HELENA REVOREDO DELVECCHIO	Banco Popular, SA	DIRECTOR
MS. HELENA REVOREDO DELVECCHIO	Prosegur, SA	CHAIRMAN
MS. HELENA REVOREDO DELVECCHIO	Endesa, SA	DIRECTOR
MR. FRANCISCO DE BORJA PRADO EULATE	Endesa, SA	CHAIRMAN

C.1.13 State and explain whether the company has established rules on the number of Boards of Directors in which its directors may participate:

Yes \*

No

Explanation of rules
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In compliance with the recommendations of the Spanish National Securities Commission (Comisión del Mercado de Valores) included in the Unified Good Governance Code, the Board of Directors of Mediaset España has certain rules regarding the number of directorships its board members can hold to ensure that they dedicate the appropriate amount of time and effort to discharge their duties effectively.

In this respect, the Board of Directors has different rules according to the type and characteristics of each category of director. The rules are more restrictive for executive and proprietary directors. The number of directorships they can hold is lower than that of other classes of directors, as is the number of directorships they can hold in other Mediaset Group companies.

Limits to the number of directorships independent directors can hold varies depending on whether they are proprietary, executive or other independent directors.

Directors undertake to apprise Mediaset España of any appointment or change in information previously notified to the Company as soon as possible.

C.1.14. Annulled section

C.1.15 List the total remuneration paid to the Board of Directors in the year:

<b>Board remuneration (thousands of euros)</b>	5,370
<b>Amount of accumulated pension plan rights for directors (thousands of euros)</b>	0
<b>Amount of accumulated pension plan rights for former directors (thousands of euros)</b>	0

C.1.16 Mention any senior managers who are not also executive directors and the total remuneration they have earned during the year:

<b>Name or company name</b>	<b>Position(s)</b>
MR. LÁZARO GARCÍA HERRERO	Corporate Marketing Management
MR. LUIS EXPÓSITO RODRÍGUEZ	Head of Human Resources and Services Division
MR. LEONARDO BALTANÁS RAMÍREZ	Head of Content Production Division
MR. JUAN PEDRO VALENTÍN PADÍN	Head of News Division
MS. PATRICIA MARCO JORGE	Head of Broadcasting Division
MR. JULIO MADRID DEL OLMO	Managing Director, PREMIERE MEGAPLEX
MR. GASPAR MAYOR TONDA	FTA Management
MS. MIRTA DRAGOEVICH FRAERMAN	Head of Communications and External Relations Division
MS. CRISTINA PANIZZA MIEZA	Operations and Sales Services Management, PUBLIESPAÑA
MR. PEDRO MARÍA PIQUERAS GÓMEZ	Head of Telecinco News Division

Name or company name	Position(s)
MR. ALVARO AUGUSTIN REGAÑÓN	Managing Director, TELECINCO CINEMA
MR. FRANCISCO JAVIER URÍA IGLESIAS	Head of Economic and Financial Division
MR. JOSÉ LUIS VILLALEGRE	Head of Central Division
MR. MANUEL VILLANUEVA DE CASTRO	Managing Director Content
MR. FRANCISCO ALÚM LÓPEZ	Managing Director, PUBLIESPAÑA
MR. ÁNGEL SANTAMARÍA BARRIO	Head of internal audit
MR. EUGENIO FERNÁNDEZ ARANDA	Head of Technology Division
MR. JAVIER MEDIAVILLA PÉREZ	Managing Director, PUBLIMEDIA
MR. SALVATORE CHIRIATTI	Managing Director, PUBLIESPAÑA
MR. GHISLAIN BARROIS	Head of Cinema and Acquisition Rights Division
MR. GIUSEPPE SILVESTRONI	Productions division Manager
DON ANGEL JUAN PABLO LÓPEZ	Managing Director, PUBLIESPAÑA
DON YAGO CASTILLO DE VIVERO	Managing Director, PUBLIESPAÑA
DON SALVADOR FIGUEROS HERNÁNDEZ	Marketing Director

<b>Total remuneration of Senior Executives (in thousands of euros)</b>	7,907
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C.1.17 Mention any directors who, at the same time, are members of boards of directors or senior managers or employees of companies that hold material shareholdings in the listed company and/or in Group member companies:

Name or company name of the director	Company name of the major shareholder	Position
MR. GIULIANO ADREANI	MEDIASET SPA	Director
MR. FEDELE CONFALONIERI	MEDIASET SPA	Chairman
MR. MARCO GIORDANI	MEDIASET SPA	Director

Mention any significant links other than those foreseen in the previous point between members of the Board of Directors and major shareholders and/or with member companies of their groups:

C.1.18 State whether there has been any modification to the Regulations of the Board of Directors during the year:

Yes

No \*

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.

In the procedures for selecting, appointing, re-electing, evaluating and removing directors established in the Bylaws, the Regulations of the Board of Directors and the Rules of the

Appointments and Remuneration Committee, the competent bodies are: the General Shareholders' Meeting, the Board of Directors, and the Appointments and Remuneration Committee.

Appointment and re-election:

- A director need not be a shareholder of Mediaset España.
- Directors, including independent directors, are appointed for a maximum term of 12 years.
- The Chairman of the Audit Committee and of the Appointments and Remuneration Committee may hold office for a maximum of four (4) years.
- The number of board members is determined at the General Shareholders' Meeting and currently stands at 13.
- The following may not be appointed directors: (i) companies, either foreign or domestic, in the audiovisual sector competing with the Company and their administrators or senior managers, except where such companies are part of the same group to which Mediaset España belongs, (ii) any person falling under any other incompatibility or prohibition regulated under general provisions.
- The appointment and termination of the Secretary and Vice-secretary must be preceded by the corresponding report from the Appointments and Remuneration Committee and must comply with the definitions contained in the Bylaws and the Regulations of the Board of Directors.
- The Appointments and Remuneration Committee is required to ensure that the selection procedures for filling new vacancies do not result in an obstacle for the selection of female directors.

The procedure for the appointment, selection, re-election and removal of Mediaset España's directors is initiated in the Appointments and Remuneration Committee. Article 5 of the Regulations establishes the obligation by the Appointments and Remuneration Committee to:

- Protect the integrity of the selection process for directors and senior executives, defining the profile (knowledge, experience and skills) of the candidates and in particular, making proposals to the Board with regard to the appointment and removal of Directors, either by co-optation, at the proposal of the Board to the General Shareholders' Meeting, and proposing to the Board which members should belong to each of the Committees. In the case of independent directors, the appointment shall be made upon proposal by the Committee.
- Advise the Board of Directors on the succession of the Chairman and Chief Executives of the company, formulating the suggestions it deems pertinent.
- Inform the Board of Directors of the appointment and termination of Mediaset España's senior managers.
- Inform the Board of Directors of matters of gender diversity, assuring that new selection procedures initiated upon the event of new vacancies do not hinder the selection of female directors. The Committee shall furthermore motivate the company to search for and include in the list of candidates women who meet the professional profile sought.
- Advise the Board of Directors on the removal and propose the appointment of the Secretary and, if applicable, the Vice Secretary.

Once the report is prepared, the Appointments and Remuneration Committee submits its proposals to the Board of Directors. As such, proposed appointments of directors submitted to the General Shareholders' Meeting by the Board of Directors and decisions adopted by the Board with regard to appointment, by virtue of its powers of co-optation, shall be preceded by the corresponding report from the Appointments and Remuneration Committee. In the event the Board decides not to follow the recommendations of the Appointments and Remuneration Committee, it shall state its reasons for this decision, leaving them recorded in the minutes.

In this regard, the Board of Directors and the Appointments and Remuneration Committee, to the extent of its competencies, shall ensure that candidates proposed to the General Shareholders' Meeting are individuals of recognized solvency, competence and experience, especially in the case of independent directors. In any event, a description of the professional experience of the candidates is required, emphasizing the circumstances that justify their appointment as independent.

The Board of Directors shall assure that external or non-executive directors represent a majority over executive directors, and further that the Board includes a reasonable number of independent directors. The Board shall likewise assure that the majority group of external directors includes independent directors and proprietary directors.

The final decision to appoint and remove directors rests with the General Shareholders' Meeting, ensuring appointment by the proportional system described in the Corporate Enterprise Act, at the proposal of the Board of Directors and subject to a report and advice from the Appointments and Remuneration Committee. Mediaset's Bylaws do not envisage qualified majorities.

Termination of directors:

In addition to cases set by law, directors shall tender their resignation to the Board of Directors in the cases listed in section C.1.21 below of this report.

In this case, the competent bodies and procedures are similar: removal begins with the Appointments and Remuneration Committee, then the Board of Directors steps in and finally the matter is taken to the General Shareholders' Meeting.

**C.1.20 Explain to what extent the annual Board evaluation has prompted significant changes in its internal organization and the procedures applicable to its activities:**

Description of modifications
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The Board of Directors' self-assessment procedures, Audit and Compliance Committee, and Remuneration Committees were organized and implemented for the first time in 2016. As mentioned last year, the self-assessment procedure were devised by the Remuneration and Appointments Committee, based on the preparation of a questionnaire responded to by the Board members.

The survey was completed during the final half of 2016, and based on its results, the Board was able to determine that the following recommendations made based on the 2015 evaluation were implemented (and are reflected in the 2015 Annual Corporate Governance Report): (i) all reports presented to the Board of Directors must be uniform in nature regardless of their area of origin; (ii) the Board of Directors must receive quarterly reports which might/might not coincide with the meeting schedule, which evaluate investments made by the Company which surpass a certain economic level, and (iii) a closer degree of supervision of relevant strategic aspects.

**C.1.20.bis Describe the evaluation process and areas evaluated by the Board of Directors assisted, where applicable, by an external consultant on the diversity of the composition and responsibilities, functions, and membership of its committees, the performance of the Chairman and chief executive, as well as each member's performance and contribution.**

During the first six months of 2016, the Board of Directors and Company Committees were evaluated, in addition to another evaluation of Mediaset España's CEO, in compliance with legal regulations and corporate governance recommendations. All of the board members took part in the evaluation process.



The Audit and Compliance Committee supervised the preparation of a yearly self-evaluation form for the Board of Directors and the Appointments and Remuneration Committee, as well as the Audit and Compliance Committee.

This was proposed by the Board of Directors for approval, and subsequently, was shared with each and every board member for completion within a 15-day period.

After completion, the form was sent to the Secretary to the Board of Directors who, based on the evaluations reflected in each of the forms, prepared a final report which anonymously revealed the Board member evaluations.

To define the points included in the evaluation, a selection of key aspects related to Board of Directors functions was applied to the above evaluation scheme. In this regard, and in relation to the Board of Directors, the following aspects were analyzed: (i) form and deadline for sending meeting calls, (ii) topics discussed in meetings, and time devoted to doing each, (iii) session documentation, (iv) meetings progress, (v) aspects related to meeting minutes, (vi) Company corporate governance guidelines, and (vii) other aspects not covered in the above sections.

The scheme followed for Committee evaluations is similar to that for Board meetings: key points were defined and rated with regard to how meetings are carried out and function, as well as roles performed.

As regards the evaluation of the Company's CEO, as in previous years, the Appointments and Remuneration Committee was in charge of his performance evaluation.

#### C.1.20.ter Breakdown, where applicable, of the business relationships which the consultant or any of his/her group company maintains with any Group company.

As mentioned in the previous section, the Company did not use the services of a consultant for advice regarding board member compensation.

#### C.1.21 Mention the circumstances in which directors are required to resign.

According to the rule established in article 13 of the Board of Directors' regulations, directors must leave office when the General Shareholders' Meeting so decides, when they notify the Company of their decision to step down or resign and when they have served the term for which they were appointed. Directors shall tender their resignation to the Board of Directors and the Board shall accept their resignation if deemed appropriate in the following situations:

- (a) When they reach 85 years of age. Their removal as director and resignation from their position shall occur during the first meeting of the Board of Directors held after the General Shareholders' Meeting which approves the financial records for the financial year in which the director reaches said age;
- (b) When they have been removed from the executive positions associated with his appointment as director;
- (c) When they are affected by any of the applicable conflicts of interest or prohibitions;
- (d) When the Appointments and Remuneration Committee issues a serious warning for infringing their obligations as directors;
- (e) When their continuation on the Board may directly, indirectly, or through persons associated with them jeopardize the loyal and diligent exercise of their duties and might exert a negative effect on Mediaset España's credit and reputation.
- (f) Where the shareholder represented by them wholly sells or reduces its shareholding in Mediaset España below the relevant threshold; in this case, the number of resignations shall be proportional to the reduction in the shareholding;

Should a natural person representing a legal person as Board member incur in any of the situations set forth in Section 3, he/she will be removed from the position.

The Board of Directors may propose the termination of any independent director before expiration of the term of office established under the Bylaws only where there exists reasonable cause; reasonable cause shall be deemed to exist where a director fails to comply with the duties inherent to its position or falls under any of the grounds contemplated in the Regulations which prevent it from being appointed independent director.

C.1.22 Annulled section

C.1.23 Is there any type of decision for which a special majority is required, other than those foreseen by law?

Yes

No \*

If applicable, describe the differences.

C.1.24 State whether there are any special requirements to be met to be appointed chairman, other than those for director of the Board of Directors.

Yes

No \*

C.1.25 State whether the chairman has a casting vote:

Yes

No \*

C.1.26 Indicate whether the Bylaws or the Board regulations set any age limit for directors:

Yes \*

No

Age limit for Chairman: 85

Age limit for CEO: 85

Age limit for directors: 85

C.1.27 Mention whether the Bylaws or the regulations of the Board provide for any limit on the term in office of independent directors that is different to the legal limit

Yes

No \*

C.1.28 Indicate whether the Bylaws or Board regulations stipulate specific rules on appointing a proxy to the Board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold, as well as any limits established with regard to categories which may be delegated beyond legally-imposed limitations. If so, give brief details.

Article 25 of the Board of Directors' Regulations establishes that its members must make every attempt to attend its meetings. Those who cannot do so personally must endeavor to ensure representation by another board member. Representation must be granted in writing and specifically for each session, including the respective instructions, and be communicated to

the President or Secretary by any method possible ensuring its reception; a board member may simultaneously represent several others at once. In any event, non-executive Directors may only be represented by another non-executive Director.

C.1.29 Mention the number of meetings held during the year by the Board of Directors. Also indicate, if relevant, the times that the Board has met without the presence of the Chairman. Attendance will also include proxies appointed with specific instructions.

<b>Number of Board meetings</b>	6
<b>Number of Board meetings from which the Chairman has been absent</b>	0

If the Chairman is an executive director, indicate the number of meetings held with no representation for executive directors and under the direction of the coordinating member.

<b>Number of meetings</b>	0
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Mention the number of meetings held during the year by the various Board committees:

<b>Committee</b>	<b>Number of meetings</b>
<b>Executive Committee</b>	4
<b>Audit and Compliance Committee</b>	5
<b>Appointment and Retributions Committee</b>	1

C.1.30 Indicate the number of Board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

<b>Number of meetings attended by all Board members</b>	3
<b>% of attendances of the total votes cast during the year</b>	50.00%

C.1.31 Indicate whether the consolidated and separate financial statements submitted for authorization for issue by the Board are certified previously:

Yes

No \*

Identify, where applicable, the person(s) who certified the company's separate and consolidated financial statements prior to their authorization for issue by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

Mediaset España has a number of mechanisms in place to avoid presenting a qualified audit report on the separate and consolidated financial statements that affect all levels of the Company. The Economic and Finance Division is responsible for preparing Mediaset's and the Mediaset Group's separate and consolidated annual accounts and financial statements, disclosures and individual information.

The next control mechanism entails preparatory meetings with Mediaset's external auditor to report on the status of review work if there has been an incident, if information is required, etc. These meetings are attended by the independent directors on the Audit and Compliance

Committee, the Chief Operating Officer, the Finance Director, the Consolidation Director, the Corporate General Manager and the Managing Director of Internal Audit. Two such preparatory meetings were held in 2016.

Finally, the Audit and Compliance Committee reviews and oversees all the information to ensure compliance with legal obligations and the correct application of Spanish and International Financial Reporting Standards in order to anticipate any discrepancy with the statutory auditor.

In line with this procedure, the Audit and Compliance Committee held five meetings in 2016, one each quarter for the preparation of the annual, quarterly and semi-annual financial statements.

Noteworthy, is that Mediaset España's separate and consolidated financial statements have been prepared and approved without any qualifications since they were first audited in 1996.

C.1.33 Does the Secretary of the Board have the status of director?

Yes \*

No

If the Secretary is not a Board member, complete the following table:

C.1.34 Annulled section

C.1.35 Describe any procedures implemented by the Company to protect the independence of the auditors, financial analysts, investment bankers and rating agencies.

The independence of Mediaset and its Group's auditor is guaranteed by means of the control and follow-up conducted by the Audit and Compliance Committee and ultimately by the Board of Directors.

The regulations of the Audit and Compliance Committee establish the following functions for this committee:

- Proposing to the Board of Directors the auditor's appointment, hiring conditions, duration of professional activities and termination or non-renewal of its appointment.
- The Committee is also the communications channel between the auditor and Mediaset. If necessary, it shall be in charge of receiving information on issues which may endanger its independence, though this has not occurred to date.
- The Committee is also in charge of authorizing any contracts between the auditor and Mediaset outside the scope of accounts auditing and shall not propose the appointment of any auditing firm when fees payable by Mediaset to the auditor exceed 5% of its total revenues for the previous fiscal year.

Before issuing its report, the statutory auditor of Mediaset España and its Group issues a statement of independence relative to the company and/or related parties, along with a report on any additional services of any kind it provides. This statement of independence is signed by all members of the audit team involved in the process and is presented to the Audit and Compliance Committee.

Mechanisms to preserve the independence of financial analysts, investment banks and rating agencies.

Mediaset's relations with financial analysts, investment banks and rating agencies is centralized in the Investor Relations Department, which ensures that information disclosed to the markets is transparent and unbiased.

To do so, a number of communication channels are used to guarantee that information on the Company is disseminated promptly and without discrimination. This includes: publication on the website of quarterly earnings and any events affecting the Company's performance; personalized service by the Investor Relations Department; availability to contact the Company by phone or e-mail; on-site presentations (road shows) or via internet.





After any earnings release the Company's senior managers give a presentation, which can be followed by shareholders, institutional investors and analysts in real-time through a conference call and/or webcast. Conference calls are recorded and available on the Company's website in the investor relations section for a period of three months following the event.

All information about Mediaset España is available to anyone on the Company's website (<http://www.mediaset.es/inversores/es/>) in Spanish and English.

C.1.36 State whether, during the year, the Company has changed its external auditor. If yes, identify the outgoing and incoming auditor:

Yes  No \*

C.1.37 State whether the audit firm performs non-audit work for the Company and/or its Group and, if so, mention the fees paid for such work in absolute figures and as a percentage of the total fees charged to the Company and/or its Group:

Yes \* No

	Company	Group	Total
<b>Fees paid for non-audit work (in thousands of euros)</b>	79	17	96
<b>Fees paid for non-audit work as a percentage of the total fees charged by the audit firm (%)</b>	47.02%	11.49%	30.38%

C.1.38 State whether the audit report on the financial statements for the previous year shows reservations or qualifications. If yes, state the reasons provided by the Chairman of the Audit Committee explaining the contents and scope of these reservations or qualifications.

Yes  No \*

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
<b>Number of consecutive years</b>	9	9
<b>Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)</b>	45%	45%

C.1.40 State whether there is any procedure for directors to receive external advice and, if so, describe it:

Yes \* No

<b>Explanation of the procedure</b>
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The Board of Directors' Regulations (art. 30) and the Audit and Compliance Committee's Regulations (art. 6) establish the mechanisms for any director to call for external audit services.

Thus, the director willing to be assisted in the exercise of its functions may request the hire of legal, accounting, technical, financial, commercial or any other kind of consultancy service at Mediaset España's cost.

The assistance requested shall only deal with specific problems of a given relevance and complexity.

The mechanism set for this started upon an application by the director filed through the Board of Directors' Chairman or Secretary. This request may only be rejected on reasonable grounds, including:

- (a) If the request for and assistance from experts are not necessary for the proper performance of duties entrusted to directors.
- (b) If the associated cost of expert assistance is unreasonable considering the importance of the problem and Mediaset España's financial situation.
- (c) If the technical assistance which could be offered can be adequately provided by experts and specialists within Mediaset España.
- (d) If for reasons of confidentiality it is not advisable that the expert in question have access to sensitive information.

C.1.41 State whether there is any procedure for directors to receive the information they need to prepare for meetings of the Board and its committees in good time:

Yes \*

No

<b>Explanation of the procedure</b>
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Prior to yearend, the Secretary must send all the Board members a calendar of meetings featuring the Agendas for the Board of Directors' meetings and other Committee meetings to be held during the following year. From this point onward, Board members commence the procedures described in Article 29 of Board of Directors' Regulations. In addition, the Secretary sends the agenda with the items to the directors by e-mail.

The procedure, now guaranteed by the direct oversight of the Chairman, begins with the meeting notice itself: Article 24 establishes that the notice will always include the agenda for the meeting with the relevant information attached, duly prepared and summarized. The notice and relevant information will be sent at least five (5) days prior to the date of the meeting. In discharging his duties, the Chairman shall coordinate with the Secretary the preparation and dispatch of the agenda to all directors.

Article 29 further amplifies the directors' right to receive not just information referring to the agenda of the meeting of the board, but any aspect of Mediaset, including examining its books, records, documents and other background to Company operations. The possibility of inspecting the facilities, as well as communicating with Mediaset España's management at any time is also included.

The mechanism to exercise the said powers shall be channeled through the chairman, the chief executive officer or the Secretary of the Board of Directors, who shall satisfy the requests by directly providing the information, offering the appropriate interlocutors at the organizational level or arbitrating the measures, so that the desired examination and inspection can be performed in situ.

The procedures intended to guarantee that the directors receive information on a timely manner are clearly established in the Regulations, but, apart from these mechanisms, the directors' general obligations include that of being aware of Mediaset's performance and adequately prepare the Board of Directors' meetings and the meetings of the committees in which they participate.



C.1.42 State and, if applicable, detail whether the Company has established rules forcing its directors to inform of and, if applicable, resign upon, events which may adversely affect the Company's credit and reputation:

Yes \*

No

Explanation of the rules
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Articles 32 and 35 of the Board of Directors' Regulations require members to inform the Company of any criminal charges brought against them, and to provide status updates.

Also, situations in which board members must step down include those in which their continuation on the Board may directly, indirectly or through persons associated with them jeopardize the loyal and diligent exercise of their duties and might exert a negative effect on Mediaset España's credit and reputation.

C.1.43 State whether any member of the Board of Directors has advised the Company of legal action or the commencement of oral proceedings against him/her for any of the crimes mentioned in Section 213 of the LSC.

Yes

No \*

State whether the Board of Directors analyzed the case. If yes, explain in a reasonable manner the decision made on whether it is convenient or not for the director to remaining office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

There are currently no agreements regarding a change of control of Mediaset due to a takeover bid.

C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

**Number of beneficiaries: 12**

**Type of beneficiary:**

1.- Executive Director - 2.- Executive Director - 3.- General Director - 4.- General Director - 5.- Division Director - 6.- Division Director - 7.- Dir. Director- 8.- Dir. Director - 9.- Area Director - 10.- Other - 11.- Other 12.- Other

**Description of the resolution:**

1- Executive director

Compensation:

a) Voluntary departure: annual payment: fixed annual salary+ annual bonus/13.5, with total compensation the sum of years employed.

d) Lawful or unlawful dismissal: legal indemnity + indemnity in point a)

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the

CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

2. - Executive director:

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

3 - General Director:

Termination of contract by the Company (except in case of just cause):  
(Replacing the legal compensation applicable, unless such compensation is higher)  
Termination from 04/24/02 to 12/31/07: 24 months of salary  
Termination from 2008 to 2011: 18 months of salary  
Termination after 2011: 12 months of salary

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

4. - General Director

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

5. - Division Director:

Cancellation of the contract at the Company's request (unless referring to lawful dismissal):  
Indemnity comprising an annual fixed gross salary plus any legally-stipulated amounts.

6. - Division Director

Termination of the contract for reasons attributable to the company or suspension, modification or limitation of its duties will perceive the largest amount of the following options:

A) Compensation starting from 1,020,000 euros, decreasing monthly by 34,000 euros over the following 30 months from the signing of the termination (01/30/2006) until it reaches 0.

B) Compensation equal to 12 months of current salary.

7. - Dir. Director

Start date: October 10, 2009:

A) During the first 3 years: 12 months of fixed salary (legal compensation excluded)

B) From the 4th to the 6th year: 9 months of fixed salary (legal compensation excluded)

C) From the 7th to the 9th year: 6 months of fixed salary (legal compensation excluded)

D) From the 10th year: legal compensation.

8. - Dir. Director

Where the Company terminates the contract, and unless it is deemed lawful: indemnity of one hundred and thousand euros gross (120,000.00 euros), including legal dismissal amounts. Should the legally-established indemnity be higher than the agreed-upon amount, it will be the only amount payable.

9. - Area Director

During the first 3 years: 12 months of fixed salary (legal compensation included)  
 - From the 4th year and after: 6 months of fixed salary (legal compensation included)

10. - Other

First 3 years: 1.5 months of fixed salary + legal compensation  
 -From the 4th year and after: 1 year of salary + legal compensation.

11. - Other

Termination of employment for any reason attributable to the Company:  
 3 years of the contract (from 09/01/2010 to 08/31/2013): compensation equal to 1.5 years of fixed salary + any legally prescribed severance.  
 From the 4th year of the contract and after (from 01/09/2013): compensation equal to 1 year of fixed salary + any legally prescribed severance.

12. - Other

Unilateral termination of contract by the Company giving rise to a legal right to an amount of compensation: a start date of February 1, 2006 is recognized for calculation of the severance.

Indicate whether these agreements must be reported to and/or authorized by the governing bodies of the company or its group:

	<b>Board of Directors</b>	<b>General Shareholders' Meeting</b>
<b>Body authorizing clauses</b>	<b>Yes</b>	<b>No</b>

	<b>Yes</b>	<b>No</b>
<b>Is the General Shareholders' Meeting informed of such clauses?</b>		*

## C.2. Board committees

C.2.1 Provide details of all the Committees of the Board of Directors and the proportion of executive, proprietary, independent, and other external directors integrating the:

### **EXECUTIVE OR DELEGATE COMMITTEE**

Name	Position	Type
MR. ALEJANDRO ECHEVARRÍA BUSQUET	CHAIRMAN	Independent director
MR. PAOLO VASILE	MEMBER	Executive director
MR. FEDELE CONFALONIERI	MEMBER	Proprietary director
MR. GIULIANO ADREANI	MEMBER	Proprietary director
MR. FRANCISCO DE BORJA PRADO EULATE	MEMBER	Independent director
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	MEMBER	Independent director

% of executive directors	16.67%
% of proprietary directors	33.33%
% of independent directors	33.33%
% of other external directors	16.67%

Explain the committee's purpose, procedures, organizational and functional rules, and summarize its key projects during the year.

For reasons of space, this section will be limited to providing a brief description of how these Committees are organized; for further information, please visit the website:  
<http://www.mediaset.es/inversores/es/>

The composition of the Executive Committee is described above; it has all the powers inherent in the Board, apart from all legal and statutory powers which may be devolved to it. All agreements adopted are communicated to the Board of Directors.

In 2016, four meetings were held, attended by all its members, dealing with matters related to the Company's functioning, with an update presented at each session.

Indicate whether the composition of the Delegate or Executive Committees reflects the participation on the Board of the different types of directors by category:

Yes \*

No

### **AUDIT AND COMPLIANCE COMMITTEE**

Name	Position	Type
MR. ANGEL DURÁNDEZ ADEVA	CHAIRMAN	Independent
MR. FEDELE CONFALONIERI	MEMBER	Proprietary director
MR. GIULIANO ADREANI	MEMBER	Proprietary director
MR. MARCO GIORDANI	MEMBER	Proprietary director
MR. ALFREDO MESSINA	MEMBER	Proprietary director
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	MEMBER	Independent

% of proprietary directors	66.67%
% of independent directors	33.33%
% of other external directors	0.00%

Explain the committee's purpose, procedures, organizational and functional rules, and summarize its key projects during the year.

Its competencies cover different supervisory areas for the company:

(i) The statutory auditor is the body in charge of proposing an audit firm, and must ensure independence, mediate as a communication channel with the governing body should discrepancies arise, verify that prevailing audit regulations are met, authorize audit contracts beyond the scope of audit activity, while also verifying that the CNMV is communicated regarding changes in auditors.

(ii) It also ensures that annual and periodical financial information complies with legal requirements, to encompass financial statements, periodical public information which must be communicated to authorities and markets.

(iii) With regard to Internal Control and relationships with the Internal Audit Department: it must propose the selection and naming of its Head, ensure that the Department carries out its functions with total independence, approve the Annual Internal Audit Plan, as well as any others; this also involves overseeing that the different departments comply with the different Internal Audit Department recommendations. It must inform the Board of Directors regarding areas of potential risk for Mediaset España or its Group, as well as supervise compliance with the related actions or administrative and tax authorities arising from administrative, supervisory, and control authorities.

(iv) With regard to risk control and management: this is the controlling and supervisory body. A description of Mediaset España and its Group's risk management policies are described in section E of this report.

In 2016, five meetings were held, attended by all its members, with the following main areas covered:

A) Financial-economic information, B) External audit, C) Internal audit, D) Annual plan, E) Corporate Governance, F) Risk control, G) Other.

#### A. Financial-economic information

The Audit and Compliance Committee verified the following information in 2015:

- On a quarterly basis, the Committee verified financial information previously proposed to the Board of Directors for its submission to the CNMV.
- Supervision of the Mediaset España Group's consolidated financial statements to ensure they are presented under the International Financial Reporting Standards as approved by the European Union.
- That the Committee did not issue any opinions regarding management's proposals for modifying accounting principles and criteria, and that the preparation of the financial statements of Mediaset España and its Group are in line with prevailing legislation.
- That the Committee has analyzed Internal Control Systems on financial reporting (hereinafter, ICFR) in accordance with the stipulations of Italian Law 262.



**B. External audit**

- Received periodic information on the audit of the Mediaset España Group's financial statements as well as the progress of audit work. In this regard, two meetings were held with the audit team to update the status of the engagements.
- Proposed the Board of Directors to prepare both separate and consolidated financial statements for Mediaset España, as well as their corresponding audit reports.
- Held meetings with the auditor of accounts prior to the approval of the interim financial statements by the Board of Directors.

**C. Internal Audit - Annual Plan**

- Approval of the 2016 Annual Activities Plan, with no recommendations added.
- On a quarterly basis, the Committee held meetings with the Head of Internal Audit on the progress of plan activities during the year, and the degree of compliance with recommendations.
- The Audit Department Manager reported to the Committee on risk control measures.

**D. Corporate Governance**

- Approval of the Annual Corporate Governance Report which was submitted to the Board of Directors and approved by majority, and then subsequently communicated to the CNMV and made available to the shareholders.
- The communication of relevant information to the CNMV took place in a timely and appropriate manner. A communication channel was also established with institutional investors of Mediaset España through its website and the Investors Relationships Department.
- Analyzed all related transactions made by the companies integrated into the Mediaset España Group which did not enter into its ordinary business for qualitative or quantitative reasons.
- Supervised modifications made to the Company's good governance regulations: its Bylaws, General Shareholders' Meeting Regulations, and Regulations for the Audit and Compliance and the Appointments and Remuneration Committees.

**E. Risk control**

In 2016, the Audit Committee reviewed the Company's updated risk map, in which tax risks have been included. Further information is available in section E of this Report.

Identify the member of the audit and compliance committee appointed taking account his/her knowledge and experience regarding accounting, auditing, or both matters, and also indicate the number of years the Committee's President has held the position.

<b>Name of Board Member with experience</b>	MR. ANGEL DURANDEZ ADEVA
<b>Number of years the Chairman has held the position</b>	2

## **APPOINTMENTS AND REMUNERATION COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	CHAIRMAN	Independent
MR. FRANCISCO DE BORJA PRADO EULATE	MEMBER	independent
MR. FEDELE CONFALONIERI	MEMBER	Proprietary director
MR. GIULIANO ADREANI	MEMBER	Proprietary director

% of proprietary directors	50.00%
% of independent directors	50.00%
% of other external directors	0.00%

Explain the committee's purpose, procedures, organizational and functional rules, and summarize its key projects during the year.

The functions of the Appointments and Remuneration Committee are outlined generally in the Company's bylaws and in the Board of Directors' Regulations.

However, the Appointments and Remuneration Committee Regulations define the Committee's general and specific duties, which are not limited in nature:

- Protect the integrity of the process for selecting Board members and company's top executives, defining the candidate profile (skills, experience, and expertise), and more specifically, make proposals to the Board of Directors regarding the appointment and removal of members, indicating which members should belong to each of the Committees. The Committee should consider several potential candidates for the role, proposed by any of its members.
- Advise on the degree of dedication members should devote to performing these duties.
- Provide assistance regarding the number of Committees to which Board members may belong. The members of the Board of Directors must compile a Committee report prior to their inclusion on the Boards of third-party companies.
- Collect information on the remaining professional obligations of Board members.
- Assist the Board of Directors during the succession of the Chairman and the Company's top executives, making opportune suggestions.
- Make proposals to the Board of Directors regarding independent directors to be appointed by co-option or, if applicable, for submission to decision by the General Meeting of Shareholders, and proposals for reelection or removal of those directors by the General Meeting;
- Report to the Board of Directors of other members to be appointed by co-option or, if applicable, for submission to decision by the General Meeting of Shareholders, and proposals for reelection or removal of those directors during the General Meeting.
- Inform the Board on the appointment and removal of top Company management, and propose basic contractual conditions.
- Report to the Board on any issues related to gender diversity, ensuring that during the filling of new vacancies, the selection of female candidates is not hindered. The Committee must also support the Company in the search for and inclusion of female candidates on the list.
- Establish a gender-representation target for the Board of Directors, and prepare suggestions on how to reach it;
- Provide assistance to the Board during the appointment and removal of the Secretary.
- Ensure Board member compliance with the obligations and duties set forth in Regulations and Bylaws.
- Periodically review the remuneration scheme applied to Board members and company's top executives, including share-based compensation schemes and their application, and ensure that individual remuneration is proportionate to the amounts paid to other company's top executives and directors.
- Ensure the transparency of remuneration and inclusion in the notes to the annual financial statements on Directors' remuneration and the annual Corporate Governance Report of information regarding Board member remuneration and, to that end, submit such information as may be appropriate to the Board.

- Assist the Board of Directors in evaluating the Board's Chairman and the company's top executives when establishing remuneration paid to Board members and top executives, making related proposals on the manner, procedures, and their annual retribution. Where applicable, include incentives such as share option plan, periodically reviewing remuneration plans to ensure that they are in line with the Company's results.

- Prepare and verify the Board of Directors Remuneration Policies Report, which must be approved by the Board of Directors and presented to the shareholders at the General Meeting.

- Advise the Board of Directors with regard to each member's status when they are appointed or renewed to the post, and conduct a yearly review when preparing the annual Corporate Governance Report.

C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years:

	Number of female directors							
	Year 2016		Year 2015		Year 2014		Year 2013	
	Number	%	Number	%	Number	%	Number	%
<b>Executive Committee</b>	0	0.00%	0	0.00%	0	0.00%	0	0.00%
<b>Audit Committee</b>	0	0.00%	0	0.00%	0	0.00%	0	0.00%
<b>Nomination and Remuneration</b>	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Annulled section

C.2.4 Annulled section

C.2.5 State whether the Committees of the Board of Directors have any regulations, where these may be consulted, and any changes made in the regulations during the year. Also state whether any annual reports have been voluntarily drawn up on the activities of the individual committees.

The Audit and Compliance Committee and the Appointments and Remuneration Committee are governed by the Regulations of the Board of Directors and their respective rules. Both regulations are available on our website <http://www.mediaset.es/inversores/es/gobierno-corporativo.html>.

In 2016, the Regulations of the Audit and Compliance and the Appointments and Remuneration Committees were not modified, as in prior years, a report about the activities made during the year by the Audit and Compliance Committee and the Appointments and Remuneration Committee was issued.

C.2.6 Annulled section

## D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures for approving related-party or intragroup transactions.

<b>Procedures for approving related-party transactions</b>
--

The approval of transactions related to shareholders, board members, or senior executives is granted by the Board of Directors.

The Audit and Compliance Committee must issue a report on related-party transactions, including at least the type of transaction, the amount, the parties involved and the impact on the Company. This report must include recommended actions and be submitted to the Board of Directors for its approval. For transactions exceeding 13 million euros, a prior report by the Appointments and Remunerations Committee is also required. Transactions in the normal course of business, along with their terms and conditions, require only approval by the line manager.

In addition, each month the Economic and Finance Division verifies that all related-party transactions are classified correctly and measured in accordance with applicable regulations. For the annual closing of accounts, all related-party transactions carried out during the year are identified, detailed and quantified. This information is disclosed in the notes to the annual financial statements.

Finally, transactions included in this report relate to the normal course of the Company's business and are carried out on an arm's length basis. The related information is also included in the annual financial report for 2016.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

Name of the individual or company who is a major shareholder	Name of the company or Group member company	Nature of the relation	Type of transaction	Amount (thousands of euros)
MEDIASET SPA	Banco Mediolanum	Commercial	Provision of services	701
MEDIASET SPA	Boing spa	Contractual	Receipt of services	25
MEDIASET SPA	Mediaset investment sarl	Contractual	Others	169
MEDIASET SPA	Publieurope international ltd	Commercial	Receipt of services	1,452
MEDIASET SPA	Publieurope international ltd	Commercial	Provision of services	526
MEDIASET SPA	Reti televisive italiane spa	Commercial	Others	1,251
MEDIASET SPA	Reti televisive italiane spa	Commercial	Provision of services	164
MEDIASET SPA	MEDIA4COMMERCE SPA	Contractual	Provision of services	21
MEDIASET SPA	MEDUSA FILMS SPA	Contractual	Others	80
MEDIASET SPA	MEDIASET PREMIUM SPA	Commercial	Receipt of services	7
MEDIASET SPA	PENGUIN RANDOM HOUSE GRUPO EDITORIAL S.A.	Commercial	Provision of services	197
MEDIASET SPA	MEDIASET SPA	Commercial	Receipt of services	50
MEDIASET SPA	RETI TELEVISIVE ITALIANE SPA	Contractual	Others	200

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

Director or executive's name or company name	Name or corporate name of significant shareholder	Relationship	Nature of the relationship	Amount (thousands of euros)
MR. GIUSEPPE TRINGALI	Publiespaña, SAU	Mercantile	Others	654

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

D.5 Indicate the amount from related-party transactions.

67,111 thousand euros.

**D.6 Describe the arrangements in force for discovering, determining and settling possible conflicts of interest between the company and/or the Group and their directors, senior managers or major shareholders.**

The Mediaset España Group has several mechanisms in place to detect and resolve potential conflicts of interest between the Company and its directors in order to prevent conduct that could hurt the Company or its shareholders.

According to the Regulations of the Board of Directors, related-party transactions between the Mediaset España Group and its directors must be authorized by the Board of Directors. The consideration of when a personal interest exists extends to situations that affect a related person, understood as the following:

- a) A spouse or any person with which he or she has a similar personal relationship.
- b) The parents, children and siblings of the director or of his or her spouse.
- c) The spouses of the parents, children and siblings of the director.
- d) The companies in which the director, personally or through an intermediary, has control as defined by the law.

Where the director is a legal person, the definition of related party also includes the following:

- a) Partners that have control over the legal person as defined by the law.
- b) The de factor or de jure directors, the liquidators and the legal representatives with general powers of attorney of the legal director.
- c) The companies that belong to the same group and their partners.
- d) The individuals who are classified as related parties of the representative of the legal director according to the previous paragraph.

Directors in a situation of conflict of interest must inform the Company immediately shall refrain from attending and participating in deliberations affecting businesses in which they have a personal interest, as explained above. Such situations must be approved by the Board of Directors, based on a report by the Audit and Compliance Committee. Similarly, directors, on their own behalf or through related persons, may not perform any professional or commercial transaction with the Company.

Also related to the control mechanisms, directors must submit their resignation to the Board of Directors when their permanence may threaten the interests of Mediaset España or adversely affect its credibility and reputation. Directors must also refrain from attending and participating in deliberations affecting businesses in which they have a personal interest.

No director disclosed a situation that could pose a conflict of interest in 2016. Any conflict of interest is disclosed in the Annual Corporate Governance Report.

Regarding mechanisms to detect potential conflicts of interest between the Mediaset España Group and its shareholders, as indicated in the section on related-party transactions, any transaction between the Company and its significant shareholders should be authorized by the Board of Directors, except in those situations described in D.1. above.

The Ethics Code and the Internal Code of Conduct set out the procedures for detecting and controlling potential conflicts of interest between the Company and its directors. Situations that could possibly give rise to conflicts of interest include:

- Entering into a contract on behalf of Mediaset España with a supplier owned or managed by a friend or family member.
- Working as a consultant of a Company supplier or customer.
- Conducting business on one's own account that is similar to the business of Mediaset España.
- Having a personal or financial interest in a business with the Company.

- Obtaining personal advantage or financial gain —beyond ordinary remuneration— through an agreement or commercial relationship with a third party involving Mediaset España.

At the Mediaset España Group, the Regulatory Compliance Department oversees this type of situation. This department is composed of the Corporate General Manager, the Chief Operating Officer and the Internal Audit Director. In 2013, acceptance by the directors considered affected persons of compliance with the Internal Code of Conduct was updated. Also during the year 2016, the Internal Audit Department held specific interviews with Company directors to identify possible risks of conflicts of interest.

No situations of conflict of interest involving director were identified in 2016 that had not been disclosed previously.

D.7 Is more than one company in the Group listed in Spain?

Yes

No \*

Identify the listed subsidiaries in Spain:

**Listed subsidiaries**

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

**Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies**

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies.

**Mechanisms to resolve possible conflicts of interest**

**E RISK CONTROL AND MANAGEMENT SYSTEMS**

E.1 Describe the risk management system in place at the company, including those which are tax-related.

Mediaset Group's Internal Control System risk management system has a hierarchical risk management structure, and functions through a series of organs which simultaneously use different systems, policies, and procedures to identify, diagnose, and prevent each of the risks which might affect the company. The System's objectives include helping the Group meets its goals and objectives, while minimizing its associated risks (be they operational, financial, tax- or compliance-related, etc.). Based on this hierarchy, the main control bodies are:

1. Board of Directors
2. Executive Committee
3. The Audit and Compliance Committee
4. Unit of compliance and crime prevention
5. Risk Committee
6. Chief Compliance Officer
7. The Money Laundering Prevention Committee (Premiere online gaming)
8. Internal Audit Management

Mediaset Group's overall risk management policy is the key tool in assisting the Group to:

- a) Identify the risks which might stand in the way of reaching strategic goals.

- b) Protect the balance sheet, income statement and cash flow generation.
- c) Safeguard the interests of the Group's stakeholders (shareholders, customers, suppliers, etc.);
- d) Oversee the efficiency and effectiveness of operations; and
- e) Comply with applicable laws, regulations and contract

These policies involve the preparation of a Risk Map, based on the Enterprise Risk Management (ERM) framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO II), which has the following scope:

- Identification of the main strategic, corporate governance, business, credit, market, financial, tax, regulatory and compliance, reputational and, where appropriate, environmental risks.
- Analysis and assessment of each risk identified in terms of the probability of occurrence and the potential impact on the Group's financial statements and the achievement of its strategic objectives.
- Designation of specific officers for each risk identified.
- Implementation of procedures, processes and action policies, and development of IT tools to mitigate risks and generate opportunities for improvement.
- Regular monitoring of risk control for a specific risk tolerance level.
- Ongoing monitoring through financial information control systems of the correct assessment and control of potential and effective risks identified.
- Communication to the various governing, management and reporting bodies of its competencies with full transparency.
- Control of the RMS through the Internal Audit Department.

Also, Mediaset España's risk map includes and integrates a tax risk map. It analyzes risks which, due to their corporate, transactional, compliance, financial, accounting, organizational, and/ or reputational nature, may have relevant tax implications for the Group.

Finally, Mediaset España establishes its internal control systems of financial reporting (ICFR) through its Internal Control System, Ethical Code, and Internal Conduct Regulations. In 2016, these last two have been updated and the Compliance and Crime Prevention Unit was set up, improving the model designed to prevent crimes and similar activities of the Group.

## E.2 Identify the bodies responsible for preparing and implementing the risk management system.

The Board of Directors is responsible for approval and follow-up, based on the Audit and Compliance Committee Report, of the risk management and control policy including those which are tax-related, as well as the supervision of internal information and control systems.

The Audit and Compliance Committee is the body in charge of overseeing and controlling Mediaset España's risk policy so that potential risks are identified, managed and communicated appropriately. It is responsible for ensuring that the policy:

- a) Determines the types of risk for Mediaset España; e.g. strategic, operational, compliance and reporting, technological, financial, legal or other, including contingent liabilities and other economic and financial risks.
- b) Establishes an acceptable risk tolerance level for Mediaset España.
- c) Provides mechanisms, when risks arise, to determine the precise measures required to mitigate the impact of the risks identified.
- d) Establishes the communication and internal control measures to control and manage any risk.

Where related-party transactions are attributed to another committee, the Audit and Compliance Committee is responsible for proposing the related policy and communicating the transactions to the Board of Directors. The policy regarding related-party transactions must be disclosed in the Annual Corporate Governance Report.

Risk Committee comprised of the Group's key directors in charge of preparing and validating the Risk Map and its presentation to the Audit and Compliance Committee. This body carries out the executive functions of managing daily operational risks, while also



communicating them to the rest of the organization in collaboration with the Internal Audit Director. Internal Audit management analyzes, oversees, and assesses these risks, and coordinates the action plans to mitigate them. It also liaises with each Department in charge of each risk for implementation of the monitoring system.

In 2016 the Compliance and Crime Prevention Unit was set up, reporting to the Audit and Compliance Committee. Its key functions are related to policies for preventing crime and fraud, competencies related to the Code of Ethics, and the Internal Code of Conduct on Securities Markets.

### E.3 Indicate the main risks, including those which are tax-related, which may prevent the company from achieving its targets.

The Mediaset Group's main risks which could affect achieving the business objectives established by the Board of Directors are as follows:

- a) Regulatory: 2016 was a year with continual regulatory changes in the audiovisual, labor, and tax areas.
- b) Spain's political and macroeconomic environment: The country's current political instability since December 20, 2015 contributes greatly to economic uncertainty. This may automatically influence advertisement investment, and therefore this is a risk which must be constantly monitored. Fortunately, at the end of 2016 the Spanish government was finally formed, which the Company expects to positively affect economic stability.
- c) Reputational: Mediaset España owns many brands which are corporate- and program-related. Its image is therefore exposed to harm, which is a risk requiring continuous control. The Communications Director is in charge of monitoring this through continual observation to detect any news or activities which might lead to a crisis which would affect our image. This involves coordination with all area managers, including the Multi-platform Manager, to ensure that any social network updates are monitored. The moment any sudden issues arise which might represent a possible conflict, the Communication Manager coordinates, reports, and advises the CEO to ensure that the necessary measures are taken in this regard.
- d) Financial: The appreciation of the dollar with respect to the euro is a financial risk arising from the Company's purchase of audiovisual rights abroad.
- e) Technological transformation: Constant and ever-changing technology affects how customers consume TV; therefore, Mediaset España has been adapting to new opportunities and continual changes arising as a result. This is a great opportunity for the Group to take advantage of.
- f) Strong competition in the audiovisual sector: There is still harsh competition in the audiovisual sector due to the difference sources of existing content. First of all, the great segmentation in open-air TV with over 18 national channels broadcasted. Second is the continuous penetration of Pay TV in Spain, chiefly with Movistar + and Vodafone. Lastly would be the growth of new internet players, such as Netflix and HBO.

### E.4 Identify if the company has a risk tolerance level, including that which is tax-related.

The Risk Management System is based on the COSO II approach, identifies risk tolerance levels for each risk identified and included in the company's risk map. Those which are tax-related are included. Also, risks are classified as "Within the accepted tolerance level" or "Exceeds the accepted tolerance level" depending on the probability of occurrence and the impact on the Group's strategic objectives. In classifying risks, the Mediaset Group takes into consideration the expectations of investors, regulators, customers, suppliers and employees. Both top management as well as the directors of the key business areas (advertising sales, programming content, technology and systems, and finance) participate in identifying the risks affecting them. The Internal Audit Director channels all information and evaluates risks, sharing it while also periodically monitoring KRIs with each risk unit.

The Mediaset Group combines qualitative and quantitative measures to ensure comprehensive and balanced risk management. The level of risk tolerance is periodically reviewed, although Mediaset España has always been characterized by its conservative approach, focusing on controlling costs, optimizing profitability, and meeting its obligations

with regulatory bodies. The above review takes place in conjunction with Mediaset España's risk management team.

**E.5 Identify any risks, including those which are tax-related, which have occurred during the year.**

In 2016 certain risks materialized:

a) Measures adopted by the regulator affecting:

ii. Continuous regulatory changes in tax matters with an impact in the cashflow of the Group. Specifically, the actions adopted relating the advance of fractioned payments of the corporate income tax.

iii. Approval of Royal Decree Law 988/2015, of October 30, which regulates the legal regime governing the early financing of certain European audiovisual broadcasting; it states that movies filmed in languages other than Castilian Spanish are not considered Spanish films when calculating the 5% obligatory annual investment in European audiovisual releases.

b) Inherent risks in the audiovisual business, which have been quite closely controlled thanks to the Company's speedy reaction to cost containment measures (own and external production, sporting events, and news).

£) The growing appreciation of the dollar vs. the euro affects foreign purchases. The impact on the Group of effective exchange rate hedges is considered to be insignificant.#

**E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including those which are tax-related.**

Mediaset Group daily monitors possible threats which might activate or elevate their potential damage. Specifically, with regard to prevailing regulatory uncertainty, the Group created a work group in which any changes are analyzed by top management in detail, so that any unforeseen circumstances may be immediately dealt with, so that its impact on the company is as negligible as possible. Faced with the entry of new competitors, the Company is bolstering the variety of its TV products in accordance with the advertisement investment in the market.

As regards continuous oversight by the regulator on the content broadcast on our channels, processes have been developed and appropriate precautionary measures adopted in terms of editorial control to prevent certain content from being aired during protected hours. Content is duly classified and warnings are issued for spectators appropriately. However, the criteria for evaluating the broadcasting of content are subjective. Therefore, eliminating this risk completely is difficult.

The Group's adoption of cost containment measures on a business and structural level based on the extended duration of the crisis and slow materialization of economic growth was revealed to be a correct decision. These measures will continue to be implemented for some time. Spain's political situation will affect its economy, and therefore its audiovisual sector.

Finally, in order to mitigate reputational risk, the Group has improved its inter-departmental communication and alert activation should specific cases arise. It has also improved its coordination with the producers of programs, so as to be able to react more quickly. Daily monitoring has extended to social networks, which are often the source of potential crises affecting our corporate image.

**F INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)**

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the entity.

## F.1 The entity's control environment

Specify at least the following components with a description of their main characteristics:

### F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

Based on a prior Audit and Compliance Committee report, the approval, follow-up, and monitoring the control and management of risk, as well as internal information systems, are controlled by Mediaset España's Board of Directors, as indicated in Article 6, section 4, subsection xxiii of its Regulations.

The Economic and Finance Division is in charge of implementing ICFR through the Administration, Management Control and Consolidation and Reporting Departments. Each of these areas is fed information by the Business, Human Resources and Legal Advisory Departments, or any other department that could provide information with a material impact on financial information.

In addition, the Audit and Compliance Committee's responsibilities include the following:

"Article 5.3: Regarding the internal control over financial reporting (ICFR) system: To ensure the reliability of the financial information, the Audit and Compliance Committee has the following responsibilities:

1. Monitor the preparation and integrity of the financial information, review the current design of Mediaset's ICFR and compliance with regulations.
2. Approve the internal audit plan for evaluation of the ICFR and receive regular information on the findings of its work and plans to correct any control weaknesses detected.
3. Review, analyze and comment on the financial statements and other relevant financial information with senior executives and internal and external auditors to assure that the information is reliable, understandable and material, and that the same accounting policies as the preceding reporting period have been applied.
4. Supervise the process carried out by senior executives to make critical judgments, evaluations and estimates, and evaluate their impact on the financial statements, as well as on adjustments proposed by the external auditor, and be aware of and, as appropriate, mediate, in any disagreements between them.
5. Ensure the ICFR evaluation process of Mediaset is robust enough to achieve its objectives and validate the conclusions of reports submitted to it by those carrying out evaluation tasks.
6. Oversee Mediaset's continuous monitoring of control activities, so as to obtain reasonable assurance regarding the implementation and functioning of the ICFR.
7. Ensure that information disclosed to the market about ICFR is clear and understandable and contains sufficient, accurate and appropriate detail."

The Audit and Compliance Committee delegates the responsibility of oversight of the ICFR to the Internal Audit Department.

### F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) designing and reviewing the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the Company.

The Board of Directors of Mediaset España sets the high-level organizational structure. From this level, the Chief Executive Officers, together with the Human Resources Department, deploy the procedures at all levels.

Each General Office designs an organizational structure, including job descriptions and lines of responsibility, which is overseen and validated by the Human Resources Department.

The Management and Operations General Office is mainly responsible for the preparation of financial information through the Economic and Finance Division. The Economic and Finance Division comprises the following:

- Administration Department (of Mediaset and Publiespaña).
- Management Control Department
- Consolidation and Reporting Department
- Treasury management

Mediaset has an internal communication policy. According to this policy, the Management and Operations General Office, through the Human Resources and Services Department, is in charge of disclosing, through notifications on the intranet, any organizational change in the Group and/or the hiring of new managers. This information is provided to all Mediaset Group employees, who are also informed via email when any new announcements are published.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The processes of complying with the rules and regulations affecting the company are included in the “Mediaset España Ethics Code” and the “Internal Code of Conduct of Mediaset España Comunicación, S.A. and its Group of Companies Regarding Stock Market Activities” and apply to all departments that have access to privileged information.

The 2010 reform of the Spanish Criminal Code introduced criminal responsibility for legal persons, determining that companies could be found guilty of the crimes committed by directors for personal gain or by any employee for failure to exercise appropriate control. In 2015, the new Criminal Code received definitive approval, and therefore during the year the Mediaset Group has analyzed and assessed its Crime Prevention and Detention Model. As a result of the procedures, in 2016, it is currently being updated to improve some of its procedures:

- 1) Implementation of the Mediaset Group’s Ethics Code
- 2) Internal Code of Conduct
- 3) Whistle-blowing Channel
- 4) Tax policy
- 5) Regulatory Compliance Department

During its meeting held on December 21, 2016, the Audit and Compliance Committee also created a Crime Prevention and Compliance Unit as the body in charge of preventing crime within the Company. This unit analyzes infringements and proposes corrective actions and sanctions related to the Group’s Code of Ethics.

During its meeting held on December 21, 2016, the Board of Directors approved the updated Mediaset España Code of Ethics, which entered into force on January 1, 2012, and is of mandatory compliance by all

personnel and members of the Mediaset España Board of Directors, as well as any other individuals and corporate entities related to the Company. The Code of Ethics is available to all Company personnel on the Group's intranet. The main changes are the inclusion of certain points to improve collaboration with the Company's internal and external agents. Specifically, there is a point on audits and inspections, in which employees agree to collaborate with Company external/external audits, investigations, and probes. There is an anti-trust section which indicates that Mediaset España operates in open and free competition and does not participate in inappropriate actions which might be limiting, or try to gain competitive advantages through unethical or illegal business practices. There is also a section on commercial, professional, and business relationships with third parties which establishes commercial relationships with customers and suppliers, contracting services from consultants, auditors, and advisors, as well as general indications regarding the acquisition of rights or leasing of services through the corresponding contracts prior to executing pacts or agreements were reached. Based on these contracts, the third parties must assume that throughout the performance of their business or professional activity:

- are up to date with their tax and social security commitments;
- respect workers' rights and their unions;
- do not use child labor;
- reject any type of forced labor;
- prohibit any type of discrimination;
- comply with prevailing occupational hazard and risk prevention legislation and regulations covering its employees in the performance of their work;
- respect environmental protection legislation;
- do not infringe third-party intellectual or industrial property rights;
- have the corresponding personal authorizations related to personal intimacy, family, and image;
- expressly forbid any behavior indicative of corruption, bribery, or extortion;
- comply with/ensure compliance with prevailing legislation designed to combat money laundering, the financing of terrorism, fraud, business corruption, influence peddling, bribery, and in general, with applicable crime legislation.

This updates applicable disciplinary proceedings arising from lack of compliance with the Code of Ethics, adapting it to prevailing legislation.

All the professionals employed by the Group and those joining it in the future have accepted and will expressly agree to abiding by the Code of Ethics. While updating the Code of Ethics, the Company established a communications plan for all Group personnel. There are also procedures led by the Human Resources Department by virtue of which they are informed of the Code of Ethics and its obligatory compliance.

- 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organization, stating whether reports made through this channel are confidential.

The Mediaset Group has a reporting procedure for any employee, manager, director or stakeholder of Mediaset España who reasonably suspects any behavior that goes against the principles and values of the Ethics Code or business ethics and good faith. This includes financial and/or accounting malpractices or practices that do not comply with IFRS or the Spanish General Accounting Plan, inappropriate or inadequate use of accounting and financial information, alteration or misuse of management, accounting and/or financial systems, falsification or concealment of accounting and financial information, fraud, offering and/or taking bribes, non-compliance with laws and regulations, and conflicts of interest.

These reports are made through the Internal Audit Department, which guarantees full protection of privacy and confidentiality of the information reported and the persons involved. It acts as a filter for the accuracy and credibility of each procedure, assessing the appropriateness of reporting to the Audit and Compliance Committee, which makes the final assessment.

In 2016, fraud management alert systems were still under development, aimed at preventing irregular practices and detecting suspicious transactions. They are aimed at preventing irregular practices and detecting suspicious transactions. Those which are key are advertising

sales processes, audiovisual content management, and those which are related to technical incidences, accounting procedures and management control. The alert system is continuously updated to include new alerts based on business and needs.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

All personnel involved in preparing and reviewing financial information or evaluating ICFR receive training each year on accounting rules, control and risk management, auditing and tax developments. As indicated previously, the training plan covers the Economic and Finance Division and the Internal Audit Department.

During 2016, these groups received a total of 507 hours of training, of which 315 corresponded to internal control, accounting, tax, fraud prevention, and money laundering updating systems.

The technical courses carried out in 2016 included:

Internal Audit seminary of treasury - 8 hours - 1 assistance  
 European Regulation of data Protection - 14 hours - 2 assistances  
 Training of legal aspects on digital business - 60 hours - 1 assistance  
 Introduction to Advertising Law - 28 hours - 2 assistances  
 Cyber security and internal audit- 2 hours - 1 assistance  
 Accounting updates - 155 hours - 31 assistances  
 Tax updates - 55 hours - 11 assistances  
 XIII Internal Audit journal - 36 hours - 3 assistances  
 International Congress Ayudantes de Dirección y Pas -40 hours - 5 assistances  
 Self-regulation of audiovisual advertising- 14 hours - 2 assistances  
 Training on prevention, investigation and detection of money laundering or terrorist financing of online gaming - 95 hours - 34 assistances

Amounting to 507 training hours with the assistance of 93 employees.

## F.2 Risk assessment in financial reporting

Report at least:

### F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

The Mediaset Group has a system for controlling and identifying risks of errors or misstatements in financial information. This system is documented and a backup copy is stored in the Internal Audit Division's systems.

It has based on the Mediaset Group's Comprehensive Risk Management System (RMS). The RMS is based on the Enterprise Risk Management (ERM) framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO II). The first step in the approach is to identify the Company's strategic objectives and risks. Once these are defined, the second step is to identify operational, compliance and reporting risks. Each risk is assessed in accordance with the probability of occurrence and the potential impact on the achievement of objectives.

The system begins with identification of the companies in the Mediaset Group's consolidation scope and the Group's business lines. It then identifies and documents both recurring and non-recurring processes that could have an impact or affect each company's financial statements; i.e. the balance sheet, income statement, state of cash flows or disclosures. Next, the risks related to the processes and the controls to mitigate them are reviewed.

There are specific controls for each process, which are subject to traceability tests. The results of these tests provide the potential errors in financial information related to the valuation of a transaction, its cut-off, registration or integrity. The results are prioritized by materiality.

The controls in place for each risk include preventing and detecting errors and fraud. The Company has policies and procedures, as well as a protocol, in its reporting systems designed to minimize this type of risk. These include:

1. Acquisition and Disposal Committee procedure;
  2. Acquisition of products and services procedure;
  3. Contract signature procedure;
  4. Authorization management procedure;
  5. Corporate security policy and related procedures; and
  6. Customer management procedure
  7. Supplier Alignment Protocol
- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), and whether it is updated and, if so, with what frequency.

As indicated in the preceding section, the system covers processes that could lead to a risk regarding existence, occurrence, completeness and valuation, presentation and disclosure, cut - off and recognition of transactions with a material impact on financial information. The processes are performed with a frequency of at least every six months. In 2014, the Head of Internal Audit updated all of Mediaset España Group's policies and procedures.

Due to the approval of the new Criminal Code in 2015, during 2016 those which might be affected are under review so as to respond to new needs and obligations arising from their application. Specifically:

- 1) The Mediaset Group Code of Ethics
- 2) Internal Rules of Conduct
- 3) Whistleblowing Channel:

Also, to move forward in Corporate Governance Responsibility, the Corporate Management area has fostered obtaining approval for the Company's Tax Policies and Corporate Social Responsibility Policies.

- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles or holding companies.

In accordance with the terms of Article 5.2.c, the Audit and Compliance Committee is in charge of ensuring the correct delimitation of the Mediaset Group's consolidation scope. To this end, any change, modification, addition or removal from the Mediaset España Group's corporate structure is controlled by the General Secretary of the Board and the Corporate General Manager. The Corporate Manager, pursuant to authorization by the Board of Directors, reports any transfers or acquisitions of shareholdings and provides the related supporting documentation to the divisions that could be affected. The Management and Operations General Office, through the Economic and Finance Division, is in charge of identifying and advising on the impact of these changes on the Group's consolidation scope. At the end of each reporting period, the Group's existing corporate structure is obtained and validated by Legal Advisory and the Economic and Finance Division.

Moreover, where the direct stakes held by the Company are also consolidated groups, there is an internal process whereby any movements therein (e.g. purchases, sales, liquidations, mergers, transfers) are reported to the Economic and Finance Division immediately, as follows:



- a. For interests where the Company has operating control, through monthly reporting processes established for this purpose and by communication from the representative of the Company to the companies' governing bodies.
  - b. For companies in which the Company does not have control, the Company's representatives on these companies' governing bodies are in charge of reporting to the Finance Department.
- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, and so on) insofar as they may affect the financial statements.

The process for identifying risks of errors in financial information takes account of the types of risk (operational, technological, financial, legal, reputational and environment) to the extent that these could affect the different Corporate Departments. The Internal Audit Department notifies the various Corporate Departments of the risks identified and the recommended action plan.

- Which of the entity's governing bodies is responsible for overseeing the process.

The Operations General Office is in charge of overseeing the process through the Economic and Finance Division and the Corporate General Manager.

### F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

- F.3.1. Procedures for reviewing and authorizing the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and the documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including financial closing procedures and for the separate review of critical judgments, estimates, evaluations and projections.

With each financial closing, the Economic and Finance Division reviews the transactions that impact the financial information through its Administration, Management Control and Consolidation and Reporting Departments. The procedure for the financial closing entails an initial review by the Management Control, and Administration Departments of all the individual companies. The process includes a list of review tasks, above all for each line item of information generated internally by the Department or of information from other Group departments that could have an impact on, or be reflected in, the financial information. Then, the Consolidation and Reporting Department oversees the information validated by the two other departments and conducts its own review process. This comprises a series of automatic tests of the information systems to ensure the completeness of the data used for consolidation. Once these tests are completed, the procedure for the monthly financial closing takes place.

The separate review of critical judgments, estimates, evaluations and projections is carried out in accordance with the same review model of the reliability of the financial information.

The Consolidation and Reporting Department reports each monthly financial closing to the Managing Director of the Economic and Finance Division and the

Chief Operating Officer, which is reviewed and approved before being presented to the Chief Executive Officers and the Audit and/or Executive Committee.

The Chief Executive Officers, the Chief Operating Officer and the Finance Director ensure both the completeness of the financial information and compliance with the internal control system guaranteeing the integrity, before the Board of Directors.

The Audit and Compliance Committee, with the support of the Audit Department, oversees this process and reports its findings to the Board of Directors. Once the consolidated financial statements are approved, they may be submitted for publication to the National Securities Market Commission (CNMV) by the General Secretary of the Board.

In addition, the Audit and Compliance Committee, with the support of the Audit Department, carries out a review of the financial information each quarter. This process consists of verifying that the quarterly information is prepared using the same criteria as the information prepared in the semi-annual reports (at June 30 and December 31 of each year). The external auditors reveal items found, relevant matters, and recommendations during these two fortnightly Audit and Compliance Committee sessions.

**F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.**

The Mediaset Group takes extreme precautions regarding security applied to the management tools used in the financial information preparation process and regarding modification controls, when applicable. There is a strict access policy covering who has access to applications in production, so that any modifications, additions, or disposals must be authorized by the person in charge of the application and the Internal Audit Department.

Mediaset has a Corporate Security Policy, which was approved in 2008 and is updated annually. This Policy covers the acquisition of software and hardware, service levels and security of the systems guaranteeing the performance and continuity of operations.

There is a documented inventory of all systems involved in the preparation of financial information. Specific preventive and, as a last resort, detective controls are in place for these systems. The Technology Division is responsible for the development and maintenance of all systems, as well as the implementation of established control procedures.

The segregation of duties is established in all applications to prevent conflicts in normal and critical transactions. This precludes a single person from being responsible for several functions that could give rise to conflicts of interests resulting in errors or misappropriations. In addition, this was established by correctly defining/assigning user profiles. A specific procedure exists which oversees this aspect, including the continuous revision of user-assigned profiles.

**F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.**

The Mediaset Group has an Acquisitions Committee and an Acquisition of Products and Services Procedure regulating outsourced services and services performed by independent experts. This ensures that the chosen provider is independent of the Company, is competent, operates under market conditions, and is up to date with tax obligations.

Each area in charge reviews the outsourced activities.

During 2016, procedures were developed for contracting services, storage, etc. in cloud environments, which are available on the Internet. These procedures include all aspects which should be required of cloud service suppliers to comply with prevailing legislation, including data protection regulations, codes of good practice, and service level agreements.

#### F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

- F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

The Consolidation, Reporting and Investees Department defines the accounting policies, keeps them up to date and settles doubts or disputes that could arise over the interpretation of the accounting policies approved by the Group. It reports to the Economic and Finance Division, which is part of the Management and Operations General Office. The Reporting Department is in charge of maintaining and updating the Mediaset España Group's Manual of Accounting Policies and ensuring that it is communicated appropriately. The Accounting Manual is updated annually. The latest update was December 31, 2016.

- F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The Company's financial information is captured and prepared through software tools that ensure complete security and control. From the time the information is captured (manually or through an interface), it is treated by software programs that are standard in the marketplace: SAP, Microstrategy, Deister and Meta 4. These programs are inter-connected. They treat, store and report information, minimizing the risk of errors in and manipulation of the economic and financial information.

SAP collects all information with an economic and financial impact on the company's accounts. Mediaset España draws up the accounts of all companies over which it has control. This speeds up and controls the necessary processes for the Group's consolidation.

Microstrategy is the reporting and consolidation tool that captures and prepares financial information for appropriate reporting to the pertinent internal and external bodies. The organizational structure of the information to be received and reported has been previously standardized in terms of format and application of criteria, ensuring the integrity of the information and facilitating its analysis.

All these systems include maintenance and yearly updates. The Technology Director ensures that everything runs in a perfect and reliable manner.

## F.5 Monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

As indicated in section F.1.1, the responsibilities of the Audit and Compliance Committee can be summarized as follows:

1. Overseeing the preparation and integrity of the financial information
2. Approving the internal audit plan for assessment of the ICFR
3. Reviewing, analyzing and commenting on the financial statements and other relevant information with the parties involved in its preparation and approval
4. Supervising the process of making critical judgments, evaluations and estimates and settling any related disputes
5. Ensuring that the ICFR evaluation process of the Mediaset Group has been designed to achieve the process objectives
6. Overseeing continuous monitoring of ICFR
7. Ensuring that the ICFR information disclosed is clear and understandable

The Audit and Compliance Committee carries out these activities with the support of the Audit Department. The Audit Department's main responsibilities include analyzing, evaluating and supervising the Group's internal control and risk management systems, identifying weaknesses, making recommendations and executing the proposed action plan in each case.

The Audit Department performs an in-depth review of the controls of all process that could have a material impact on the Group's financial statements twice a year with the mid-year and annual financial closing. As a result of these reviews, the Internal Audit Department prepares reports covering the process identified, the related risks and the controls tested. These reports highlight any weakness encountered and make comparisons with reviews of previous periods to monitor trends. As indicated previously, any weakness encountered in a process is reported immediately to the department affected so it can be corrected.

Also, during 2016 a management alert system continued under developed, which makes it possible to detect unusual operations in the company's day-to-day activities.

- F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Economic and Finance Division and the Internal Audit Department hold regular meetings with the external auditors to discuss material weakness in internal control. The Audit and Compliance Committee meets with the external auditors twice a year, at the closing of the Group's mid-year and annual financial statements. At these meetings, the external auditors, within the scope of their engagement, report whether there are any incidents or internal control weakness. The Economic and Finance Division and the Internal Audit Department attend these meetings and review all aspects regarding potential weaknesses in the internal control systems that could affect the financial information published by the Group Mediaset.

Any weakness encountered is subjected to immediate monitoring by the Audit and Compliance Committee, with the help of the Internal Audit Department.

#### F.6 Other relevant information

All this information is outlined in the above sections.

#### F.7 External auditor report

State whether:

- F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The ICFR information disclosed to the markets was reviewed by the external auditor of the company, EY.

### **G DEGREE OF ADHERENCE TO THE RECOMMENDATIONS ON CORPORATE GOVERNANCE**

State the company's degree of adherence to the recommendations on good governance for Listed Companies included in the Code.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behavior. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

**Complies \***      **Explain**

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:
- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.
  - b) The mechanisms in place to resolve possible conflicts of interest.

**Complies**       **Partially complies**       **Explain**       **Not applicable** \*

3. During the ordinary shareholders meeting, complementary to the distribution of the annual corporate governance report, the Chairman of the Board offered a detailed verbal explanation of the more relevant aspects of the Company's corporate governance, and specifically:

- a) Changes taking place since the prior general shareholders meeting.
- b) Specific reasons explaining why the Company does not follow any of the Corporate Governance Code and applicable regulations in this regard, if they exist.

**Complies** \*      **Partially complies**       **Explain**

4. The Company defines and promotes guidelines for communicating and contacting shareholders, institutional investors, and voting advisors which are fully respectful of regulations against market abuse, indicating how to treat shareholders in the same position in a similar manner.

The Company publishes these policies on its website, including information on its implementation, identifying participants and parties responsible for carrying it out.

**Complies** \*      **Partially complies**       **Explain**

The Company intends to approve the policies for communicating with and contacting its shareholders, institutional investors, and voting advisors during the Board of Directors meeting to be held this February. After their approval, they will be published on the website.

5. At general shareholders meeting, the Board will not propose the delegation of powers to issue shares or convertible bonds excluding preferential subscription rights at an amount higher than 20% of share capital at the moment of delegation.

When the Board does approve the issue of shares or convertible bonds excluding preferential subscription rights, the Company must immediately publish this information on its website regarding those referred to in mercantile legislation.

**Complies** \*      **Partially complies**       **Explain**

6. Listed companies which prepare the following obligatory or voluntary reports publish them on their websites sufficiently in advance of holding their general shareholders meeting, although publishing is not mandatory:

- a. Report on auditor independence
- b. Reports on the functioning of the Audit and Appointments and remuneration committees.
- c. Audit Committee reports on related parties
- d. Corporate social responsibility policy reports

**Complies \***

**Partially complies ☐**

**Explain ☐**

7. The Company airs its general shareholders meetings live on its website.

**Complies \***      **Explain ☐**

The 2015 general shareholders' meeting was not broadcast live on the Company's website due to technical problems, which we hope may be resolved prior to the 2016 meeting.

8. The Audit Committee should seek to present the annual financial statements to the Board of Directors without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content

**Complies \***      **Partially complies ☐**      **Explain ☐**

9. The Company publishes the accepted requirements and procedures to prove share ownership, the right to attend general shareholders meetings, and the right to delegate voting rights on its website.

These requirements and procedures favor attendance and the exercise of shareholder rights, and are applied in a non-discriminatory manner.

**Complies \***      **Partially complies ☐**      **Explain ☐**

10. When an authorized shareholder has exercised the right to complete the Agenda or to present new proposals prior to the meeting, the Company:

- a. Immediately shares the complementary points and new proposals.
- b. Publishes an attendance card model, voting delegation form, or absentee ballot with the specific modifications to ensure voting on the new Agenda items and alternative proposals, in accordance with the same terms as the proposals made by the Board of Directors.
- c. Presents these items or alternatives proposals for voting, applying the same voting rules used in by the Board, specifically including presumptions or deductions on the intention of the vote.
- d. Subsequent to the general shareholders meeting, it communicates the voting breakdown on the above complementary or alternative proposals.

**Complies ☐**      **Partially complies ☐**      **Explain ☐**      **Not applicable \***

11. Should the Company plan to pay fees for attendance to the general shareholders meeting, it must previously establish a basic and stable policy on fees.

**Complies ☐**      **Partially complies ☐**      **Explain ☐**      **Not applicable \***



12. The Board of Directors must perform its functions based on a sole purpose and independent criteria, treating all shareholders in the same manner guided by the Company's interest, which is understood as achieving a profitable and sustainable long-term business, while maximizing its economic value.

In the Company's best interest, apart from the laws and regulations based on good faith, ethical behavior, and the respect for commonly-accepted good practices, endeavors to combine the Company's interest with the legitimate interests of its employees, suppliers, clients, and other potentially-affected interest groups, with a constant focus on the impact of its activities overall and on the environment.

**Complies \***      **Partially complies ☐**      **Explain ☐**

13. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members

**Complies \***      **Explain ☐**

14. The Board of directors approves a process for selecting its member which:

- a. Is specific and verifiable.
- b. Ensures that appointment or reelection proposals are based on a prior analysis of the Board of Directors' needs.
- c. Fosters a diversity of knowledge, experiences, and gender.

The result of prior studies of the Board's needs is outlined in a supporting appointments committee report which is published when the general shareholders meeting is called and submitted for ratification, the appointment, reelection of each of its members.

These policies will assist in reaching the 2020 goal: at least 30% of Board members be female.

The Appointments Committee will annually verify compliance with the above policies, and will inform accordingly in the Annual Corporate Governance Report.

**Complies ☐**      **Partially complies \***      **Explain ☐**

All the above has been complied with in its entirety, apart from the fact that it was considered unnecessary to include deadlines or female representation, as all possible efforts will be made to increase the number of female members in the short- and long-term.

15. Proprietary and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimal practical bearing in mind the complexity of the corporate group and the ownership interests they control.

**Complies \***      **Partially complies ☐**      **Explain ☐**

16. The percentage of proprietary directors in relation to the total number of non-executive directors should not exceed the proportion between the capital represented on the board by these and the remainder of the company's capital.

These criteria might be relaxed:

- a. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b. In companies with a plurality of shareholders represented on the board but not otherwise related.

**Complies \***      **Explain ☐**

17. The number of independent directors should represent at least half of all board members.

However, when the company is not large cap, or although it is, has on or several shareholders working together and controlling over 30% of its share capital, it shall ensure that independent Directors make up at least one third of the total Board members.

**Complies \***      **Explain ☐**

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a company director, and
- e) Shares held in the company and options on the same

**Complies \***      **Partially complies ☐**      **Explain ☐**

19. In the year's Annual Corporate Governance Report, after verification by the Nomination Committee discloses the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

**Complies ☐**      **Partially complies ☐**      **Explain ☐**      **Not applicable \***

20. Proprietary directors should resign where the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly

**Complies**       **Partially complies**       **Explain**       **Not applicable** \*

21. That Board of Directors should not propose the separation of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board of directors, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director moves to hold new positions or take on new obligations making it impossible to devote a sufficient amount of time to carry out a Board member's function, and thereby not complying with the duties inherent to the post under applicable legislation.

The separation of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

**Complies** \*      **Explain**

22. Companies should establish rules obliging directors to inform the board of directors of any circumstances that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article Company Bylaws, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

**Complies \***      **Partially complies**       **Explain**

23. All directors should express clear opposition when they feel a proposal submitted for the board of directors' approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

This Recommendation also covers the Secretary of the Board even in the case that this individual is not a director.

**Complies**       **Partially complies**       **Explain**       **Not applicable \***

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state the reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

**Complies**       **Partially complies**       **Explain**       **Not applicable \***

25. The Appointments Committee will ensure that non-executive directors have sufficient available time to carry out their functions.

Board regulations state that the maximum number of directorships their Board members can hold.

**Complies \***      **Partially complies**       **Explain**

26. The Board should meet with the necessary frequency to properly perform its functions, at least eight times a year, in accordance with a calendar and

agendas set at the beginning of the year, to which each director may propose the addition of other items.

**Complies \***      **Partially complies**       **Explain**

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

**Complies \***      **Partially complies**       **Explain**

28. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

**Complies**       **Partially complies**       **Explain**       **Not applicable \***

29. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

**Complies \***      **Partially complies**       **Explain**

30. Independent of the expertise required by the Board members to carry out their functions, companies also offer them refresher programs when the situation calls for them.

**Complies**       **Partially complies**       **Explain**       **Not applicable \***

31. Meeting Agendas must clearly indicate which items require a decision or an agreement so that members may previously study and collect the precise information necessary to do so.

When, exceptionally and due to reasons of urgency, the President chooses to submit decisions or agreements not included in the Agenda for approval, it will be necessary to obtain prior express authorization from a majority of members present, and reflect this in the Board minutes.

**Complies \***      **Partially complies**       **Explain**

32. Members must be periodically informed of significant movements in the shareholder structure and regarding the opinion of significant shareholders, investors, and rating agencies of the Company and the Group.

**Complies \***      **Partially complies**       **Explain**

33. The Chairman is responsible for the efficient functioning of the Board of directors, and therefore, apart from exercising the functions attributed by the bylaws, must prepare and submit the Board of directors a program including dates and items to discuss, organize and coordinate the periodic evaluation of the Board, as well as the Company's CEO, where necessary, being responsible for managing the Board and its effectiveness, ensure that sufficient time is devoted to discussing strategic functions, and agree on and review programs designed to update each member's knowledge when necessary.

**Complies \***      **Partially complies**       **Explain**

34. In cases in which there is a coordinating member, the bylaws or regulations of the Board of directors attributes the following powers apart from those granted by law: preside the Board of directors in the absence of the president and vice presidents, where applicable, reflect the concerns of the non-executive directors, keep in contact with the investors and shareholders to ascertain their points of view prior to reaching an opinion in this regard, specifically with regard to the Company's corporate governance, and coordinator the Chairman's plan of succession.

**Complies**       **Partially complies**       **Explain**       **Not applicable** \*

35. The Board Secretary must be especially vigilant so that his/her actions and decisions take into account the recommendations on good governance reflected in this Good Governance Code applicable to the Company.

**Complies \***      **Explain ☐**

36. The Board of Directors must together carry out an annual plan to adopt an action plan to correct any deficiencies regarding:

- a. The quality and efficiency of the Board's operation.
- b. The functioning and composition of its Committees.
- c. The diversity in the composition and competencies of the Board of directors.
- d. The performance of the Chairman of the Board and the Company's chief executive.
- e. Each member's performance and contribution, paying special attention to the parties responsible for each committee.

The evaluation of the different committees will be based on the report they share with the Board of directors, with the latter submitted to the Appointments Committee.

The Board of directors will be assisted to carry out the evaluation by an external consultant every three years, whose independence will be verified by the Appointments Committee.

Any of the business relationships held by the consultant or any of its Group companies must be detailed in the annual Corporate Governance Report.

The process and the areas evaluated will be described in the annual Good Governance Report.

**Complies \***      **Partially complies ☐**      **Explain ☐**

37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

**Complies ☐**      **Partially complies \***      **Explain ☐**      **Not applicable ☐**

Due to the importance of the Executive Committee as a delegate body of the Board, its composition varies slightly with respect to that of the Board of Directors, as the percentage of executive directors was reduced from 23.08% to 16.66%, as well as that of proprietary directors, dropping from 38.46% on the Board to 33.33% on the Executive Committee, thereby increasing the percentage of independent directors. The composition of the Board of Directors and the Executive Committee is indicated below:

Board of directors

Executive directors – 23.08%



Proprietary directors – 38.46%  
Independent directors – 30.77%  
External directors – 7.69%

#### Executive Committee

Executive directors – 16.66%  
Proprietary directors – 33.33%  
Independent directors – 33.33%  
External directors – 16.66%

The Chairman of the Board of Directors and the Executive Committee is an External Director.

38. The Board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

**Complies \***      **Partially complies ☐**      **Explain ☐**

39. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters; the majority of the members must be independent directors.

**Complies \***      **Partially complies ☐**      **Explain ☐**

40. A unit must be created to take on the internal audit function under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems, which will report to the Non-Executive Director or the Head of the Audit Committee.

**Complies \***      **Partially complies ☐**      **Explain ☐**

41. The head of internal audit should present an annual work program to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

**Complies \***      **Partially complies ☐**      **Explain ☐**

42. Apart from those included in legislation, the Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- i. Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- ii. Monitor the independence of the unit assuming the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; approve its orientation and work plans, ensuring that its activity is chiefly focused on risks which are relevant to the Company, receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- iii. Establish and supervise a mechanism whereby staff can report, confidentially and, where possible and considered appropriate, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the company's external auditors:

- i. In the event of resignation of the external auditor, reviewing the underlying reasons.
- ii. Ensure that the fees paid to the external audit firm for work performed does not in any way compromise its quality or independence.

- iii. See that the Company communicates any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- iv. Ensure that the external auditor holds annual meetings with the Board of directors to report on work performed, the accounting situation, and company risks.
- v. Ensure that the Company and the external auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard the auditors' independence.

**Complies \***      **Partially complies ☐**      **Explain ☐**

43. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

**Complies \***      **Partially complies ☐**      **Explain ☐**

44. The Audit Committee must be informed on structural and corporate modifications planned by the Company, so that it may prepare an analysis and report to be presented to the Board of Directors on its economic circumstance and its accounting impact, and specifically on the proposed exchange ratio.

**Complies \***      **Partially complies ☐**      **Explain ☐**

45. Control and risk management policy should specify at least:

- a) The different types of risk, both financial and non-financial, (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

**Complies \***      **Partially complies ☐**      **Explain ☐**

46. There is an internal risk control and management function which, under the direct supervision of the Audit Committee, or a special commission set up by the Board, exercised by an internal unit or department of the Company which will be granted the following functions:

- a. Ensure the correct functioning of its risk control and management systems, and in particular, to correctly identify, manage, and quantify all the important risks affecting the Company.

- b. Participate actively in the preparation of risk management strategy, as well as the processes for making important decisions regarding its handling.
- c. Oversee the risk control and management systems sufficiently within the framework of the policies defined by the Board of Directors.

**Complies \***      **Partially complies**       **Explain**

47. The members of the Appointments and remuneration committees (or each committee, if separated) must be designated based on their knowledge, experience, and skills, which should be appropriate to the role they are expected to fulfill; the majority of the members must be independent directors.

**Complies \***      **Partially complies**       **Explain**

48. Large cap companies must have separate Appointment and Remuneration Committees.

**Complies**       **Partially complies**       **Not applicable \***

49. The Remuneration Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

**Complies \***      **Partially complies ☐**      **Explain ☐**

50. The Remuneration Committee must exercise its functions observing independence and apart from those which are attributed by law, these include the following:

- a. Propose the Board of directors the standard terms for senior manager contracts.
- b. Ensure that compliance with the remuneration policy set by the Company is met.
- c. Periodically review the remuneration scheme applied to members and directors, including share-based compensation schemes and their application, and ensure that individual remuneration is proportionate to the amounts paid to other Company members and directors.
- d. Ensure that conflicts of interest do not have a negative effect on the independence of external consulting provided to the Committee.
- e. Verify that the information contained on the remuneration paid to top executives and directors in the different corporate documents is correct, including the annual report on remuneration paid to directors.

**Complies \***      **Partially complies ☐**      **Explain ☐**

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

**Complies ☐**      **Partially complies \***      **Explain ☐**

The Committee consults with the Company's chief executive and the Board of Directors in full regarding matters related to executive directors and sensitive issues applicable to top management. Regarding top management, excepting these mentioned issues, are managed by the Appointments and remuneration committee.

52. The regulations governing the functioning of the supervision and control committees are defined in the Board of Directors Regulations, and are consistent with those applicable to those which are obligatory by law based on the above recommendations, including:

- a. They are exclusively comprised of non-executive directors, the majority of which are independent directors.
- b. Committees should be chaired by an independent director.
- c. The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;
- d. They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e. Meetings must be reflected in minutes to be made available to the Board members.

**Complies**       **Partially complies**       **Explain**       **Not applicable** \*

53. The supervision of and compliance with the corporate governance, internal codes of conduct, and social corporate responsibility regulations is attributed to one or divided between several Board committees which may be: the Audit, Appointments, Social corporate responsibility (where applicable), or a specialized Board committee, to exercise its rights to self-organization, and decide to create those which have the following minimum duties for the above purposes:
- a. The supervision of the compliance with the Company's internal codes of conduct and codes of good governance.
  - b. The supervision of the communication strategy and the relationships with shareholders, and small- and medium-sized investors.
  - c. The periodic evaluations of the appropriateness of the Company's corporate governance are designed to promote the Company's interest, and should consider the legitimate interests of other interest groups, where appropriate.
  - d. The Company's corporate responsibility policies are reviewed to ensure that they are focused on creating value.
  - e. The monitoring of social responsibility strategies and practices and their degree of compliance.
  - f. The supervision and evaluation of processes related to the different interest groups.
  - g. The evaluation of all the Company's non-financial risks - including operating, technological, legal, social, environmental, political, and reputational.
  - h. The coordination of the process aimed at reporting information which is not financial, and that which covers diversity, in accordance with applicable legislation and international standards of reference.

**Complies \***      **Partially complies ☐**      **Explain ☐**

54. The corporate social responsibility policies will cover the principles and commitments the Company assumes voluntarily with regard to different interest groups, to identify the following, at the very least:
- a. The purposes of corporate social responsibility policies and the development of supporting measures.
  - b. The corporate strategy related to sustainability, the environment, and social matters.
  - c. Specific practices regarding the following: shareholders, employees, customers, suppliers, social environmental affairs, diversity, tax matters, respect for human rights, and the prevention of illegal conduct.
  - d. Monitoring Methods or systems which analyze the outcome from applying the above specific practices, associated risks, and their management.
  - e. Supervisory mechanisms for non-financial risk, ethics, and business conduct.
  - f. Communication channels, participation, and dialog with interest groups.
  - g. Responsible communication practices which hinder the manipulation of information while protecting integrity and honor.

**Complies \***      **Partially complies ☐**      **Explain ☐**

55. The Company uses a separate document (or its Management report) to report on matters related to corporate social responsibility, using certain internationally-accepted methodologies.

**Complies \***      **Partially complies ☐**      **Explain ☐**

56. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

**Complies \***                      **Explain ☐**

57. Remuneration comprising the delivery of shares in the Company, share options or other share-based instruments, payments linked to the Company's performance or membership of pension schemes should be confined to executive directors.

Compensation by way of delivery of shares is possible when it is conditioned on the outside directors holding the shares until they cease to be directors. The above is not applicable to shares a Board member needs to sell, where applicable, to pay the costs related to their acquisition.

**Complies \***              **Partially complies ☐**              **Explain ☐**

58. In the case of variable remuneration, the related policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

Specifically, variable components of remuneration should:

- a. Be linked to predetermined and measurable performance criteria, and that the criteria contemplate the risk assumed for obtaining a result.
- b. They should promote the sustainability of the Company in the long term, including non-financial criteria, create long-term value, such as compliance with standards and procedures, that are appropriate to the creation of long-term value in the Company.
- c. They are configured based on a balance between the compliance with short-, medium-, and long-term goals which make it possible to provide continual performance-based compensation over a sufficient period of time to be able to appreciate their contribution to sustainable value creation, so that the items which measure performance are not only focused on specific, occasional, or extraordinary events.

**Complies \***              **Partially complies ☐**              **Explain ☐**              **Not applicable ☐**

59. Payment of a relevant portion of variable remuneration components differs during a minimum amount of time which is sufficient to determine that the previously-established performance criteria have been met.

**Complies \***              **Partially complies ☐**              **Explain ☐**              **Not applicable ☐**



60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

**Complies \***      **Partially complies**       **Explain**       **Not applicable**

61. A relevant percentage of executive directors' variable remuneration is linked to the delivery of shares or financial instruments referenced to their value.

**Complies \***      **Partially complies**       **Explain**       **Not applicable**

62. Once the shares or options or rights corresponding to the remuneration schemes have been distributed, the members may not transfer the ownership of a number of shares equivalent to twice their annual set remuneration, nor may they exercise the options or shares until at least three years have passed since they were granted.

The above is not applicable to shares a Board member needs to sell, where applicable, to pay the costs related to their acquisition.

**Complies**       **Partially complies\***  
**Explain**       **Not**  
**applicable**

The Company partially complies with this recommendation, as its three-year medium-term incentives plan for its Board members, approved during the 2016 general shareholders meeting, establishes that assigned shares must eventually be returned subsequent to the general meeting during which the financial statements are approved during the Plan's third year, as long as it is linked to Group companies. Therefore, the attribution of shares during the final years of the Plan do not meet the three-year period established herein.

For further information, herewith follows the text of the approved agreement:

"Authorize the Board of Directors to approve the establishment of a remuneration system ("the Plan") for the consolidated Group's directors and executive directors, consisting in the delivery of Company shares with the following basic characteristics:

- Recipients: the Group's directors and executive directors of the companies determined by the Board of Directors, which totals 26 individuals, approximately.
- Maximum number of shares to be assigned: the maximum number which may be assigned during each of the three years of the Plan's duration, equivalent to 0.33% of the Company's share capital. Of the above 0.33%, a maximum total of 0.11% corresponds to the Company's executive directors. The Company will not increase its share capital to cover the Remuneration System.
- Share value: the value of the shares taken as a point of reference to assign each recipient corresponded to the average listed price of the share during the previous thirty days prior to preparing the financial statements for each of the three years covered by the Plan.
- Strike price: the shares to be assigned to each recipient during each of the years covered by the Plan will be the result from dividing the joint economic contribution made each year by the recipient and the Company by the "share value."
- Granting date: any date agreed upon by the Board of Directors within a 4-month period from the date the Plan was approved.
- Duration: 2016-2018; the shares may be delivered at any time subsequent to the approval of the 2018 financial statements, as determined by the Board.

To facilitate the execution of the above agreements, the General Shareholders' Meeting will be granted full substitution powers for any of its members, including all the powers deemed necessary to define, integrate, and execute the agreement."

63. Contractual arrangements include a clause allowing the Company to claim repayment of the variable components of compensation when the payment is not in accordance with performance conditions, or when the compensation has been paid based on information the inaccuracy of which is later manifestly demonstrated.

**Complies**       **Partially complies**       **Explain**       **Not applicable** \*

64. Contract termination payments must not surpass the established amount equivalent to two years' total annual remuneration, and may not be paid until the Company is able to determine that the director has met with all the previously-established performance criteria.

**Complies** \*       **Partially complies**       **Explain**       **Not applicable**

## H OTHER INFORMATION OF INTEREST.

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the Code and date of adoption.

Subsequent to the changes made to to the good governance regulations last year, during 2016 the modifications were consolidated internally, with the Company's commitment to institutions reaffirmed. The most noteworthy corporate governance and responsibility highlights during 2016 were;

- Approval of Tax Policies
- Approval of Corporate Social Responsibility Policies
- Approval of updated Environmental Policies
- Approval of Dividends Policies
- Approval of Treasury Share Policies
- Approval of Director Appointment Policies
- Approval of Investor Relationship Policies
- Adaptation of the Internal Rules of Conduct in the Securities Markets to new regulations

Additionally, to adapt to the new obligations established as a result of changes made to the Criminal Code, the Mediaset España, SA Code of Ethics has been adapted and is applicable to all its employees, as well as those of its Group companies and suppliers. The main amendments include bolstering collaboration with internal and external Company agents, competition defense, strengthening commercial, professional, and business bonds with third parties so that in order to do between with the Mediaset Group, suppliers will have to comply with a number of tax and labor obligations, as well as those related to society, the environment, and/or respect for human rights. This also updates applicable disciplinary proceedings arising from lack of compliance, adapting it to prevailing legislation. The abovementioned document has been communicated to all employees and is available on our website: [www.mediaset.es](http://www.mediaset.es).

As explained above, 2016 saw strengthening bonds with public authorities, and in this regard, the Mediaset España Board of Directors agreed to the Company's inclusion of the Good Tax Practices Code, which along with the approval of tax policies, will reaffirm its commitment to this area.

During 2016 the alliance and participation of Mediaset España with the United Nations Global Compact network and Autocontrol, the Association for Commercial Self-Regulation, which oversees the Spanish advertising market, as well as the Carbon Disclosure Project, in which Mediaset España obtained the highest rating among Spain's audiovisual broadcasting groups.

The regulations and composition of our Board of Directors, its Committees, legislation applicable to its governing body, shareholder rights, etc., all fall under their respective sections of this Report; further information is available on our website <http://www.mediaset.es>; you may also feel free to contact us at [rc@telecinco.es](mailto:rc@telecinco.es).

### SECTION C.1.15

The remuneration reflected in this section did not include in-kind compensation for the following board members:

Mr. Paolo Vasile: 81,544.07  
 Mr. Massimo Musolino: 36,989.93.  
 Mr. Mario Rodríguez Valderas: 17,215.60

This section does not include gross profit from options exercised during the year, based on the following amount:

Mr. Paolo Vasile: 321 thousand euros  
 Mr. Massimo Musolino: 145 thousand euros.  
 Mr. Mario Rodríguez Valderas: 141 thousand euros.

### SECTION C.1.16

Section C.1.16 includes remuneration of senior management of Mediaset España and the Group's main subsidiaries. Remuneration received by Mediaset España directors in 2016, including the Internal Auditor Director, was paid to the following:

Managing Director Content	Villanueva de Castro, Manuel
Head of Human Resources Division	Expósito Rodríguez, Luis
Head of Technology Division	Fernández Aranda, Eugenio
Head of Economic and Financial Division	Uría Iglesias, Javier
Head of Broadcasting Division	Marco Jorge, Patricia
Head of Content Production Division	Baltanás Ramírez, Leonardo
Head of Cinema and Acquisition Rights Division	Barrois, Ghislain
Head of Communications and External Relations Division	Dragoevich Fraerman, Mirta
Head of News Division	Valentín Padín, Juan Pedro
Head of Telecinco News Division	Piqueras Gómez, Pedro María
Head of Special Productions Division	Silvestroni, Giuseppe
Head of internal audit	Santamaría Barrio, Angel
Total	5,039,295 euros

### SECTION C.1.37

Audit fees of the 2016 financial statements of the Group totaled 220 thousand euros whereby 89 thousand euros correspond to the audit of the financial statements of Mediaset España Comunicación, S.A., same as prior year.

Additionally, Ernst&Young has provided other services (limited review of the Consolidated Financial statements, SCIF review, review of advertising revenue, etc) amounting to 96 thousand euros, whereby 79 thousand euros have been provided to Mediaset España Comunicación, SA.

#### **SECTION C.2.1.**

Mr. Durández has held the position as President of the Audit and Compliance Committee since 2014.

The percentages in the Appointments and Remuneration Committee are as follows:

Proprietary directors: 50%  
Independent directors: 50%  
Other external directors: 0%

#### **SECTION D.5.**

The amount from related-party transactions with other related parties is as follows: 3,802 thousand euros from the sale of goods; 62,423 thousand euros from the purchase of goods; 208 thousand euros from the purchase of rights; other income amounting to 648 thousand euros. This amount does not include 2,566 thousand euros corresponding to dividends received from related parties in 2016.

Recommendation #17: To calculate the percentage of independent directors among the total, the current external director was not considered: he has been considered independent for 12 consecutive years, and now is considered external, as the maximum legally-established period in Capital Companies Law has transpired, without this individual ever having performed the role of proprietary director.

The Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting of 02/23/2017.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes

No \*

