

**DRAFT**

**ANNUAL REPORT**  
**OF THE APPOINTMENTS AND REMUNERATION COMMITTEE**  
**2015**

## **I.- Creation:**

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

## **II.- Composition:**

The Appointments and Remuneration Committee consists of (4) members, who are also members of the Board of Directors, all external directors and appointed by the Board of Directors.

In addition, following that which is established in both the Articles of Association and the Board of Directors Regulations, and in accordance with the corporate governance rules, since the listing date of MEDIASET ESPAÑA COMUNICACIÓN, S.A., an Independent Director has occupied the position of Chairman.

The last modification to the composition of the Appointments Committee, was in October 2014, following the resignation of Mr. Manuel Polanco as a member of the Board of Directors, the Appointments Committee's composition since then has been as follows:

Mr. José Ramon Alvarez Rendueles	Chairman	External Independent
Mr. Borja Prado Eulate	Member	External Independent
Mr. Fedele Confalonieri	Member	External proprietary
Mr. Giuliano Adreani	Member	External proprietary

Since its creation, the changes to the Audit and Compliance Committee have been aimed at gradually strengthening its independence with regards to the internal management of the Company, as a consequence, no Internal Director has become part of the committee, but it has established the presence of independent directors within it. Therefore, the Appointments and Remuneration Committee's composition in percentage is as follows:

Internal Members	0 %
External Members	100 %
Independent Members	50%

The current composition of the Board of Directors and the Companies' other Committees are as follows:

## **Board of Directors:**

- 1) Mr. Alejandro Echevarría (Chairman).
- 2) Mr. Fedele Confalonieri (Vice-chairman)
- 3) Mr. Giuliano Adreani.
- 4) Mr. Alfredo Messina.
- 5) Mr. Marco Giordani.
- 6) Mr. Paolo Vasile (CEO).
- 7) Mr. Giuseppe Tringali (Vice-chairman).
- 8) Ms. Helena Revoredo.
- 9) Mr. José Ramón Álvarez Rendueles.
- 10) Mr. Angel Durández Adeva.
- 11) Mr. Borja Prado Eulate.
- 12) Mr. Massimo Musolino.
- 13) Mr. Mario Rodríguez Valderas (Secretary).

**Executive Committee:**

- 1) Mr. Alejandro Echevarría (Chairman).
- 2) Mr. Fedele Confalonieri.
- 3) Mr. Giuliano Adreani.
- 4) Mr. Paolo Vasile.
- 5) Mr. José Ramón Álvarez Rendueles.
- 6) Mr. Borja Prado Eulate.

**Audit Committee:**

- 1) Mr. José Ramón Álvarez Rendueles.
- 2) Mr. Fedele Confalonieri
- 3) Mr. Giuliano Adreani.
- 4) Mr. Alfredo Messina.
- 5) Mr D. Marco Giordani.
- 6) Mr. Angel Durández Adeva

**III. Regulation:**

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

Thus, the rules that regulate the composition and functioning of the Appointments and Remuneration Committee have been fully aligned with the latest regulatory amendments to the Law 31/2014, of December 3<sup>rd</sup> amending the Companies Act for the improvement of corporate governance, and with the recommendations included in the Good Governance Code for Listed Companies, of February 2015.

#### **IV.- Functions:**

The functions of the Appointments and Remuneration Committee are generally contained in the Articles of Association and the Board of Directors Regulations.

But it is the Appointments and Remuneration Committee Regulations, which includes, but is not limited to, the generic and specific functions of the Committee:

(a) To protect the integrity of the process of hiring directors and senior executives, to ensure that the candidates meet the required profile (in terms of knowledge, experience and skills) and, in particular, to make proposals to the Board of Directors on appointing or dismissing directors, as well as to propose to the Board who the members of each of the Committees should be. The Committee will consider potential candidates to fill vacancies on the Board, proposed by any of its members.

(b) To advise on the dedication required from the directors in carrying out their duties.

(c) To advise on the number of boards on which the members of the Board of Directors may sit. A report shall be issued by the Committee on members of the Board of Directors before they join the boards of directors of other companies.

(d) To obtain information defining the other professional duties of the directors.

(e) To advise the Board of Directors on replacements for the Chairman and senior executives in the Company, making any suggestions it may deem fit.

(f) Present the Board of Directors, with proposals for, the appointment of independent directors who are to be appointed by co-optation or, for the consideration of the General Meeting, as well as, the proposals for re-election or removal of such Directors by the General Meeting of Shareholders;

(g) Report on appointment proposals of the remaining Directors for their appointment by co-optation or for the consideration of the General Meeting and the proposals for re-election or removal by the General Meeting;

(h) To inform the Board of Directors on any appointments and dismissals of senior executives which may take place within the Company and propose the basic conditions of their contracts.

(i) 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.

(j) Establish a target of representation for the underrepresented gender on the Board of Directors and develop guidance on how to achieve that objective;

(k) To advise the Board of Directors on the dismissal and appointment of the Secretary.

(l) To see to it that the directors perform their obligations and duties as foreseen in these Rules and in the Articles of Association.

(m) Periodically review the remuneration policy applied to directors and senior management, including remuneration systems involving shares and its application, as well as ensuring that individual remuneration is proportionate to that of the other directors and senior executives of the Company.

(n) To see to the transparency of remunerations and that information on the remuneration of the directors is included in the Annual Report and in the Annual Governance Report, submitting to the Board all such information as may be in order to that effect.

(o) To assist the Board of Directors in evaluating the Chairman of the Committee and the senior executives in the Company; and specifically, to assist in determining and monitoring the remuneration policy for directors and senior executives, proposing the form, procedure and amount of the annual remuneration of the directors (including any proposed incentives such as share option schemes), regularly revising the remuneration plans and seeking to ensure the remuneration of the directors meets criteria of moderation and adequacy in the light of the Company's results.

(p) To draw up and verify a Report on the Policy of Directors' Remuneration for approval by the Board of Directors, to be presented before the General Shareholders' Meeting.

(q) To advise the Board of Directors on the status which each director should be awarded when he is appointed or renewed in his position, and to revise it annually when the Annual Corporate Governance Report is drawn up.

## **V. - Meetings**

During 2015, the Appointments and Remuneration Committee has met on two occasions:

### **1. Meeting held on February 25<sup>th</sup>, 2015.**

- a) Approval of the Appointments and Remuneration Committee's Annual Activity Report 2014.
- b) Board of Directors' Remuneration in 2015: Chairman, CEOs and Members.
- c) Board of Directors Remuneration Policy Report.
- d) Board of Director's Composition: renewal of appointments.
- e) Motions and questions

### **2. Meeting held on July 23<sup>th</sup>, 2014.**

- a) Proposal of the contract between the Company and the CEO
- b) Amendment of the Appointment Committees Regulations
- c) Motions and questions

## **VI.- Activity Report:**

For a better understanding of the activities undertaken by the Appointments and Remuneration Committee during 2015, it has been grouped into two large categories:

- A. Remuneration.
- B. Corporate Governance

### **A. Remuneration.**

The Appointments and Remuneration Committee ~~of Telecinco~~ has intervened in the following aspects during 2015:

- It proposed the fixed and variable remuneration for the CEOs and the Board of Directors Chairman
- It advised the Board of Directors on the review of remuneration.
- It proposed the 2015 Remuneration Policy Report.

To that end, the Committee has been in constant contact with the Company's Chairman, CEO, General Managers and Human Resources Director, maintaining regular meetings.

### **B. Corporate Governance.**

Telecinco's Appointments and Remuneration Committee has intervened in the following aspects during 2015:

- It advised the Board on the renewal of its members whose appointments had expired.
- It directed the Board of Directors evaluation process, first executive, Chairman and Committee's functioning.
- It participated the process of adapting the internal rules on Corporate Governance matters.

- It analysed and proposed the contract between the Company and the CEO.

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

The Ordinary General Shareholders Meeting of "MEDIASET ESPAÑA COMUNICACIÓN, S.A." was held on 15<sup>th</sup> April 2015, at 12:00 pm, on first call, attended by 787 shareholders present and 1,523 represented shareholders among them of 339,526,057 shares, representing 85.450% of the share capital of the Company.

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

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

The following resolutions were approved by a majority:

**First.**- Examination and approval of the Annual Accounts (balance Sheet, profit and loss account, statement of changes in equity, cash flow statement and the annual report) and Management Reports for both "MEDIASET ESPAÑA COMUNICACION, S.A.", and its Consolidated Group of Companies for the year ending December 31, 2014.

**Second.**- Distribution of Profit for 2014.

**Third.**- Distribution of an extraordinary dividend.

**Fourth.**- To examine and approve the management of the company by the Board of Directors during 2014.

**Fifth.**- Re-election of Board Members.

**Sixth.**- Establish the number of Board members.

**Seventh.**- Establish the maximum overall annual remuneration payable to the Company's Directors in their capacity as such.

**Eighth.**- Awarding Company shares to Directors who perform executive duties and to Senior Managers, as part of their variable remuneration paid in 2014. Delegation of powers.

**Ninth.**- Reduce the share capital by 20,343,071 Euros by cancelling 40,686,142 of its own shares, representing 10% of the share capital of MEDIASET ESPAÑA COMUNICACIÓN, S.A. Delegation of powers.

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

**Eleventh.**- Amendment of the Articles of Association for the purpose of, as applicable, (i) adapting them to the Corporations Act following the reform introduced by Law 31/2014, of December 3rd; (ii) conducting technical improvements; and (iii) the adoption of a consolidated text.

11.1. Amendment of Article 1 ("Name") in the **First Title of the Articles (IDENTIFICATION OF THE COMPANY)**.

11.2 Amendment of Articles 5 (Share Capital), 6 (Representation of Shares), Article 7 (Shareholders rights), 8 (Multiple Ownership), 11 (Capital Increase), 12 (Authorized Capital), 13 (Pre-emptive rights and their elimination), y 15 (Forced Cancellation), from the **Second Title (SHARE CAPITAL AND SHARES) of the Articles of Association**.

11.3° Amendment of Article 16 (Issue of bonds) from the **Third Title (BONDS AND OTHER SECURITIES) of the Articles of Association**.

11.4° Amendment of Articles 19 (Distribution of Responsibilities) **from Chapter one (BODIES OF THE COMPANY) from the Fourth Title (COMPANY GOVERNANCE AND ADMINISTRATION) of the Articles of Association** and articles 21 (General Meeting Regulations), 22 (Types of General Meeting), 23 (Convening the General Meeting), 24 (Time and Location of the Meeting), 25 (Constitution), 26 (Right to attend), 27 (Representation), 28 (General Meeting Board), 30 (General Meeting Discussions), 31 (Right to Information), 32 (Voting), 33 (Distance Voting), 34 (Adopting Resolutions), 35 (Minutes of the General Meeting) **from Chapter Two (GENERAL MEETINGS), from Section Four (COMPANY GOVERNANCE AND ADMINISTRATION) of the Articles of Association**.

11.5°. Amendment of Articles 36 (Board of Directors Regulations), 37 (Administrative and Supervisory Powers), 39 (Number of Members on the Board of Directors), 40 (Qualitative Structure of the Board of Directors), 41 (Appointment of Directors), 42 (Board of Directors Positions), 43 (Convening the Board of Directors), 44 (Board of Directors Meetings), 45 (Conduct of the Meetings), 46 (Adoption of Resolutions in the Board of Directors Meeting), 47 (Minutes of the Board Meeting) from **the third chapter 27 (FROM THE**

**BOARD OF DIRECTORS) from the fourth section (COMPANY GOVERNANCE AND ADMINISTRATION) of the Articles of Association;** articles 48 (Delegates and Advisory Bodies of the Board), 49 (Executive Committee), 50 (Audit and Compliance Committee) and 51 (Appointments and Remuneration Committee) from the **Fourth Chapter (FROM THE DELEGATED AND ADVISORY BODIES) from the fourth section of (COMPANY GOVERNANCE AND ADMINISTRATION) of the Articles of Association;** and articles 52 (General Duties of Directors), 53 (Information and Inspection Powers), 54 (Directors Term of Office), 55 (Removal of Directors), 56 (Directors Remuneration) **from Chapter Five (DIRECTOR'S ARTICLES) from the fourth section of (COMPANY GOVERNANCE AND ADMINISTRATION) of the Articles of Association.**

11.6°. Amendment of Articles 57 ("Annual Corporate Governance Report") and 58 ("Website") from **Title Five (CORPORATE GOVERNANCE REPORT AND WEBSITE) of the Articles of Association.**

11.7°. Amendments of Articles 60 ("Formulation of the Annual Financial Reports"), 62 ("Approval of Accounts and Distribution of Profit ") and 63 ("Filing the Approved Annual Financial Reports ") from **Title Six (FISCAL YEAR AND ANNUAL FINANCIAL REPORTS);** article 65 ("Liquidation") from **Title Seven (WINDING UP AND LIQUIDATION OF THE COMPANY)** and article 67 ("Jurisdiction") from **Title Eight (JURISDICCIÓN) of the Articles of Association.**

11.8°. Approval of a **consolidated text of the Articles of Association** of the Company that incorporates all of the proposed changes.

**Twelfth**.- Amendment of the Shareholders General Meeting Regulations of the Company for the following purposes, as appropriate, to (i) adapt to the Corporations 49 Act after the reform introduced by Law 31/2014, of December 3rd; (ii) conducting technical improvements; (iii) adjusting the wording to the Articles of the Articles of Association whose modification has been proposed under the previous Eleventh item; and (iv) the adoption of a consolidated text:

12.1° Amendment of Articles 1 ("Objective"), 2 ("Publication"), 3 ("General Shareholders"), 4 ("Types of Meetings") and 5 ("Powers"); and incorporation of new Articles 2 ("Validity and modification") and 3 ("Interpretation") from **Title I (INTRODUCTION) of the General Shareholders' Meeting Regulations.**

12.2°. Amendment of Articles 6 ("Call to the General Meeting"), 7 ("Notice of the Call"), 8 ("Right to Information before the Annual General Meeting ") and 10 ("Delegations"); deletion of Article 9 ("Other information available from the date of the notice"); and incorporation of the new Article 10 ("Right to complete the agenda and submit new proposed resolutions") of **Title II (CALLING AND PREPARATION OF THE GENERAL MEETING) of the Shareholders General Meeting Regulations.**

12.3°. Amendment of Articles 11 ("Location of the General Meeting"), 12 ("Organisation and Logistics"), 13 ("Right to attend"), 14 ("Constitution of the General Meeting"), 15 ("General Meeting Board"), 16 ("General Meeting Organisation "), 17 ("Creation of the attendance list "), 18 ("Commencement of the General Meeting "), 19 ("Requests to speak"), 21 ("Shareholder Participation "), 22 ("Right to information during the Shareholders General Meeting"), 24 ("Deferral and suspension of the General Meeting "), 25 ("Voting by distance "), 26 ( "Voting on the proposed resolutions"), 28 ("Adoption of Resolutions and Announcement of result"), 29 ("Closing the General Meeting"), 30 ("Minutes of the Meeting"), 31 ("Publication of resolutions and results of voting ") and 32 ("Publication of resolutions and voting results "); elimination of Articles 20 ("final constitution of the Board"), 23 ("Proposals") and 27 ("Financial Intermediaries"); and incorporation of new Articles 16 ("Proxy cards and remote voting") and 28 ("Conflict of Interest") of **Title III (HOLDING THE GENERAL MEETING) of the Shareholders General Meeting Regulations.**

12.4°. Approval of a **consolidated text of the General Shareholders' Meeting Regulations** of the Company which incorporates all the amendments and consecutively renumbers the titles and articles into which they are divided.

**Thirteenth.**- Information on the partial amendment of the Board of Directors Regulations, in accordance with Article 258 of the Corporation Act..

**Fourteenth.**- Annual remuneration of directors Report of Mediaset España Comunicación S.A. in accordance with Article 541 of the Corporations Act.

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

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

The Board of Directors met eight (8) times, with a very high attendance of its members. All meetings were chaired by its Chairman and, the General Operations 'Manager, who is also a member of Board of Directors attended.

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

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

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