

**Independent Limited Assurance Report on the 2016 Annual Report on  
Directors' compensation**

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

## INDEPENDENT LIMITED ASSURANCE ON THE ANNUAL REPORT ON DIRECTORS' COMPENSATION

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 the Annual Report on directors' compensation of MEDIASET ESPAÑA COMUNICACIÓN, S.A. corresponding to the year ended December 31, 2016, prepared in accordance with the terms outlined in Article 541 of Capital Companies Law, Order ECC/461/2013 of March 20, which determines the minimum content and structure of the Annual Report on directors' compensation, and Circular 4/2013, of June 12, of the Spanish Securities Exchange Commission (CNMV), which establishes the models of the Annual Report on directors' compensation, among others, of listed corporations, amended by Circular 7/2015, dated December 22, of the CNMV.

### *Directors' responsibility*

The Directors of MEDIASET ESPAÑA COMUNICACIÓN, S.A. are responsible for the preparation, the contents, and the presentation of the accompanying Annual Report on directors' compensation. This responsibility includes the design, implementation, and maintenance of the internal control deemed necessary to ensure that the Annual Report on directors' compensation 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 Report on directors' compensation.

### *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 Report on directors' compensation, to determine whether it encompasses the entirety of the contents mandated by Article 541 of Capital Companies Law and Order ECC/461/2013 of March 20, as well as Circular 4/2013, 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 Report on directors' compensation.
- 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 Report on directors' compensation.
- Using review tests based on a sample selection of the quantitative disclosures included in the Annual Report on directors' compensation, 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 Report on directors' compensation.

#### *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 the accompanying Annual Report on directors' compensation 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 541 of Capital Companies Law, Order ECC/461/2013 of March 20, and Circular 4/2013, 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.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

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Carlos Hidalgo Andrés

February 23, 2017

**ANNEX 1**

**ANNUAL DIRECTORS REMUNERATION REPORT  
OF LISTED COMPANIES**

**IDENTIFICATION DETAILS OF THE ISSUER**

**YEAR END DATE OF REFERENCE** 31/12/2016

**C.I.F.** A-79075438

**COMPANY NAME**

MEDIASET ESPAÑA COMUNICACION, S.A.

**REGISTERED OFFICE**

CARRETERA DE FUENCARRAL A ALCOBENDAS, 4, MADRID

## ANNUAL DIRECTORS REMUNERATION REPORT

### OF LISTED COMPANIES

## A. COMPANY REMUNERATION POLICY FOR THE CURRENT BUSINESS YEAR

A.1 Explain the remuneration policy of the Company. This section shall include information on:

- General principles and foundations of the remuneration policy.
- Significant changes made in relation to the remuneration policy applied during the previous year and the changes that have been made during the year on the conditions of exercise of previously awarded options.
- Criteria and composition of groups of comparable companies whose remuneration policies have been considered when establishing the remuneration policy of the company.
- The relative importance of variable vs. fixed remuneration and the criteria used to determine the various components of the remuneration package of the directors (remuneration mix).

### Explain the remuneration policy

The company's remuneration policy for its directors is regulated by Articles 37 and 56 of the Articles of Association and Article 28 of the company's Board of Directors Regulations. These provisions establish the competent bodies to approve or modify the remuneration policy, the principles on which it is based, its structure and its purpose. The regulations are available on our website and we invite you to read them in order to better understand the structure of the Mediaset España's remuneration policy as detailed in this report.

As for the criteria used to determine the remuneration policy of Directors for 2017 the same criteria applied in previous years has been taken into account:

- That the Directors receive remuneration according to the responsibilities assigned to them and with the dedication employed.
- That it is incentive based and therefore, likely to retain the most valuable professionals.
- That it is in line with the established market standards of companies of similar size and activity.
- That it prevents excessive risk taking and reward in case of unfavourable results.

With regards to independent Directors, this policy also seeks that the amount of compensation is such that it provides incentives for their dedication and service to the Company, but that it does not compromise their independence.

In relation to the remuneration corresponding to the executive directors, the same scheme will be followed in 2017 as 2016, as indicated above, without any updates, and there are no planned increases in fixed remuneration.

With regards to the remuneration of the rest of the executive directors for their work within the company, in 2017 they will be paid a fixed part, complemented by a variable component tied to the results obtained in terms of the budgetary targets. This remuneration system has been a constant in the history of this Company.

As in previous years, the accrual and quantification of the variable remuneration depends on the degree to which Company achieves the budget for the financial year 2017, particularly relating to the following three variables: (i) gross advertising revenues, (ii) consolidated EBIT and (iii) free cash flow.

For the CEO, the variable remuneration constitutes 71% of his fixed remuneration and 41% of his full pay (assuming a 100% compliance level of the objectives on which the accrual and quantification of the variable remuneration is dependent).

With regards to the other Executive Directors, the variable component percentage of their remuneration is between 51% and 56% of the fixed component, and between 32% and 36% of full pay assuming a 100% compliance level of the objectives on which the accrual and quantification of the variable remuneration is dependent).

Regarding the remuneration of the Chairman of the Board of Directors, who holds the category of external director, it is expected that in the year 2017 the same remuneration concepts included in section C.1 of this Report will be maintained, so that he will receive a fixed amount and an additional variable in view of his special dedication.

The same as last year, during 2017 there are no plans to grant new options on Mediaset España's shares to the Directors.

**A.2 Information about the preparatory work and the decision making process has been followed to determine the remuneration policy and role played, if any, by the Remuneration Committee and other supervisory bodies in setting the remuneration policy. This information shall include, where appropriate, the mandate and composition of the Remuneration Committee and the identity of the external consultants whose services have been used to determine the remuneration policy. Likewise the position of the directors, if any, who have been involved in the definition of the remuneration policy, shall be expressed.**

#### **Explain the process for determining the remuneration policy**

Different management bodies of the company and its shareholders are involved in the definition and approval process.

This process begins within the Appointments and Remuneration Committee which analyses and approves the main defining lines of the remuneration of Directors and formulates this report.

The Appointments and Remuneration Committee is composed of the following directors:

Mr. José Ramón Álvarez-Rendueles – Chairman – independent  
Mr. Borja Prado Eulate –Independent  
Mr. Fedele Confalonieri - external proprietary.  
Mr. Giuliano Adreani - external proprietary.

Once the report has been prepared and in accordance with Article 37.3 of the Articles of Association, it is the Board of Directors that is responsible for approving the remuneration policy of its members.

As in previous years, each and every one of the Board of Directors has been actively involved in the approval of the report and under the direction and coordination of its Chairman, taking into account the comments and suggestions made by them.

Finally, it is Mediaset's shareholders, through the General Meeting, who evaluate and decide on a system and the manner in which the company directors receive their remuneration. Like last year, in 2016 the Company considered it appropriate to submit to a binding shareholder vote on the remuneration report, as with the rest of the points on the agenda. The report was approved by 74.62% of the share capital.

In 2017, this Report will be submitted to a binding vote of the Board.

It should be noted, that external consultants have not been hired in the development of the 2016 and 2017 remuneration policy.

**A3. Indicate the amount and nature of the fixed components, itemized where necessary, the remunerations for the performance of senior management functions of the executive directors, the additional remuneration as chairman or member of any committee of the board, allowances for participating in the board and its committees and other fixed director payments and an estimate of the fixed annual payment to which they give rise. Identify other benefits that are not paid in cash and the basic parameters for which are given.**

#### **Explain the fixed components of remuneration**

Following the provisions of the rules governing Mediaset España, the directors shall be entitled to receive a fixed amount and attendance fees for their position as Board members.

Accordingly, at the General Meeting to be held in 2017, the approval of the maximum amount that Mediaset España can pay its directors will be proposed, in respect of (i) fixed annual remuneration and (ii) attendance fees, in the amount of 2,500,000 Euros each year. The limit to be proposed is the same as that set in previous years.

In the rare event that the number of Board meetings or its Committees held in a given year should reach the maximum figure, the remaining Board meetings or any Committee meetings held during such period will not generate entitlement to receive allowances.

The exact amounts of the allowances and remuneration of the different members of the board shall be set by the Board of Directors at its meeting of February 23rd, which, upon a proposal from the Appointments and Remuneration Committee, propose to be established as fixed remuneration the amount of seventy five thousand (75,000) euros per year for each Director, and in four thousand (4,000) euros the amount to be paid as attendance fees for the attendance of the Board of Directors and its Committees, which will be eight thousand (8,000) euros in the case of the Chairman. Belonging to any of the Committees does not have any specific fixed remuneration assigned.

With regards to the executive director's remuneration in 2017, the same system followed in 2016, will be maintained without any updates.

It is anticipated that they are paid a fixed part, complemented by a variable part tied to the results in terms of budgetary targets, as described in the following sections of this report.

As for the amount representing the fixed portion of their salary, it will remain in line with that paid in 2016; no major changes are planned except for those already mentioned in this report.

#### A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each of the remunerative plans of which the directors are beneficiaries, its scope, and date of approval, implementation date, validity period and its main features. In the case of share option plans and other financial instruments, the general features of the plan will include information on the exercise conditions of such options or financial instruments for each plan.
- Indicate any remuneration from profit sharing or bonuses and why they were granted.
- Explain the basic parameters and grounds for any annual bonuses system (bonus).
- The classes of directors (executive directors, external directors, independent directors or other external directors) who are beneficiaries of remuneration schemes or plans that incorporate a variable remuneration.

<h4>Explain the variable elements of the remuneration systems</h4>
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As previously mentioned, the executive directors receive an integrated remuneration, amongst others, of a fixed part and a variable part, for the performance of their duties within the company.

The variable remuneration system is adopted at the beginning of each year by the Board of Directors. The objectives set for the CEO and the Chairman for 2017 are established over the following variables: (i) advertising revenue, (ii) consolidated group EBIT and (iii) Free Cash Flow. Each of the objectives is assigned a weight, 50%, 25% and 25%, respectively, the sum is 100%. The result of each target is independent of the rest. As for the other two Executive Directors, the following 5 objectives are set: (i) consolidated group EBIT (a weighting of 50%), (ii) Free Cash Flow (a weighting of 25%) and (iii) the cumulative audience of the channels of the Group (weighting 25%).

For the CEO, the Bonus Target for 2017 is 659,000€ / year (for a 100% achievement of objectives), it is also possible to achieve up to 50% of the bonus (for an 85% achievement of objectives), and 130% of the bonus (for an achievement of objectives higher than 105%).

Regarding the Chairman of the Board, the variable remuneration system and the targets for 2017 are the same as those of the CEO, maintaining the amounts received in the said year without any variations regarding those established in 2016.

With regards to the executive director Mr. Massimo Musolino, the variable remuneration system allows for a maximum expected achievement of 51% of the fixed remuneration. 17% depends on individual objectives, the same percentage depends on company objectives, 17%, which must be achieved in order to receive the bonus, the remaining part, 17% depends on the performance evaluation during the year.

Lastly, the executive director Mr. Mario Rodriguez, the variable remuneration system provided allows a maximum expected achievement of 56% of the fixed remuneration. 20% depends on individual objectives, the same percentage depends on company objectives, 20%, which must be achieved in order to receive the bonus, the remaining part, 16% depends on the performance evaluation during the year.

The Chairman and Chief Executive Officer's objectives are approved, both when establishing them and when assessing the achievement of the objectives set by the Board of Directors. To this end, the proposals, the results achieved and the resulting amount are presented to the Appointments and Remuneration Committee.

The objectives of the other two Executive Directors are approved by the CEO, who also evaluates the achievement of the same, at the proposal of the HR Division (as to whether they have been achieved or not).

In this regard, an agreement that allows the CEO and Managing Directors of the Company and its Group to receive part of the variable remuneration for 2016 in Company shares is expected to be submitted for approval to the General Meeting in accordance with the following conditions: (i) voluntary nature: receipt of variable remuneration in shares is voluntary on the part of the beneficiaries; (ii) ceiling: the maximum number of shares to be received by each beneficiary is the result of applying 12,000 euros at the average trading price on the date of delivery; (iii) share value: the average trading price of the share on the date of delivery; (iv) duration period: the remuneration system will apply until the date of delivery, which will be verified before the expiry of one month from the date of approval by the General Meeting, if necessary.

There is no profit sharing nor are there any different bonuses or rewards to those systems mentioned intended for 2017.

Note that the absolute amounts of variable remuneration which would give rise to the 2017 remuneration plan are as follows; (i) Sum of the variable remuneration in its target grade for the amount of 1,007,107 Euros and (ii) the sum of the variable remuneration in its maximum grade would be 1,539,924 euros. The payment of the variable remuneration is scheduled for April 2018, once the annual accounts of the company have been approved, the same as in previous years.

As in 2016, following a proposal from the Appointments and Remuneration Committee, a "medium term incentive and loyalty system, referenced to the market price of the company" applicable from 2017, will be presented to the Board of Directors to be held on February 23<sup>rd</sup> this year for their approval. This system is aimed at Executive Directors and senior management of the Company and its main objectives are as follows:

- Reward the sustainability of the company's results.
- Improve the remuneration structure.
- Align the interests of the "top management" with those of shareholders.

This system, receives in equal parts, an annual contribution from each beneficiary (25% of the bonus target) and a contribution charged to the company, establishing a given amount that will be invested in the purchase of company shares and attributed the beneficiary.

It lasts three years (Rolling) and its accrual will depend on the achievement of the established budget targets, cumulatively, for each of the three years of accrual.

The right to receive shares, in any case shall be subject to the maintenance of the employment relationship at the end of each triennium.

**A.5: Explain the main features of the long-term savings systems, including retirement and any other survivorship benefits, financed partly or wholly by the company, whether internally or externally gifted, with an estimate of their amount or equivalent annual cost, indicating the type of plan, if it is a contribution or a fixed benefit, conditions for strengthening the economic rights of directors and compatibility with any type of compensation for early termination of the contractual relationship between the company and the director.**

Also indicate the contributions on behalf of directors' plans to fixed contribution pension or the increase of vested rights in the case of contributions to fixed benefit plans.

Explain long-term savings plans
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There are no long-term saving plans such as consideration for retirement provided for 2017. Indicate that an annual provision is made because of contractual agreements by one of the Executive Directors, a provision has been made, consisting of one thirteenth of the sum of annual fixed and variable remuneration, updated with reference to the annual CPI which will become effective at the time when the said Director ceases employment in the company. The annual cost is 50,241 euros.

#### A.6: Indicate any agreed or paid indemnities in the case of termination of appointment as a director.

##### Explain the Indemnifications

Regarding the existence of any severance agreed or paid upon termination of director's duties, it is noted that there are indemnity clauses applicable to two Executive Directors in relation to their employment relationship, in the event of any change in the Company's current ownership / control (direct or indirect), and in cases of unfair dismissal, collective or objective dismissal, extinction by the Executive Director for the causes foreseen in articles 39, 40, 41, and 50 of the Workers' Statute, will receive two annuities equivalent to their gross remuneration.

In addition, Mr. Massimo Musolino has the following indemnity regime:

- a) Voluntary redundancy: accrual per year: Fixed salary + annual variable, divided by 13.5, the total remuneration is the sum of the amounts corresponding to the number of years worked (already discussed in point A5 above).
- b) Termination by fair or unfair dismissal: legal allowance, plus indemnification provided for in point a) above.

#### A.7: Indicate the conditions to be respected in the contracts of those who are exercising executive functions in management as executive directors. Among others, information about the duration, limits on amounts of indemnifications, permanence clauses, notice periods and payments as a replacement of that notice period, and any other clauses regarding hiring bonuses, as well as indemnifications for early termination or termination of the contractual relationship between the company and the executive director. Including, among others, covenants or non-compete agreements, exclusivity, permanence or loyalty and post-contractual non-compete.

##### Explain the conditions of the executive directors' contracts

The executive directors of the company who, at the date of preparation of this report, perform senior management functions are as follows: Mr. Paolo Vasile, Mr Massimo Musolino and Mr. Mario Rodríguez Valderas.

Mr. Paolo Vasile's contract is commercial in nature and is linked, in terms of duration and functions, to his CEO status of the Company, without providing shielding or permanency conditions.

As for the contracts of the executives directors Mr. Massimo Musolino and Mr. Mario Rodríguez Valderas, both are governed by employment legislation, no special conditions exist, except those mentioned in the preceding paragraph, concerning severance.

In the case of Mr. Musolino, an exclusivity clause does exist, which prohibits concurrency, and the prohibition of joining another company, to maintain employment or professional relationship with, directly or indirectly, persons, companies and entities engaged in business or commercial activities that are or may be in competition with the objects of Mediaset, or the specific activity performed by it. As for the period of notice specified, it is set at two (2) months in the case of resignation. In the case of noncompliance, Mediaset will be entitled to deduct the assets for the period defaulted from the liquidation. His contract also includes a severance clause mentioned previously in section A.6.

#### A.8 Explain any additional remuneration paid to directors for services rendered other than those inherent in their position.

##### Explain the supplementary remuneration.

As in 2016, there is no additional remuneration planned for 2017 for the directors and the services rendered other than those inherent to their position.

#### A.9 Indicate any remuneration in the form of advances, credits and guarantees, indicating the interest rate, its key features and any amounts repaid, as well as the obligations on their behalf by way of guarantee.

### Explain advances, credits and guarantees

At the date of preparation of this report there have not been any advances, loans or guarantees granted. If any are granted after the date hereof, it will be promptly reported. Note that no amount was paid as an advance in 2016.

### A.10 Explain the main features of remuneration in kind

#### Explain remuneration in kind

For the year 2017, in progress, it is planned to maintain the scope and main features of remuneration in kind which the directors will receive.

The main features are:

CEO: (i) company car; (ii) housing in Spain (Madrid) and parking place; (iii) life and accident insurance; (iv) medical insurance for himself and his beneficiaries; (v) tax payments on account paid by the employer.

Regarding the rest of the executive directors: (i) company car; (ii) life and accident insurance; (iii) medical insurance for himself and his beneficiaries; (iv) tax payments on account paid by the employer.

Both cases have little relevance from an economic point of view. The amount of remuneration in kind for 2016 is set out in paragraph D.- of this Report.

A.11 Indicate the remuneration accrued by the board member by virtue of payments made by the listed company to a third party in which the board member provides services when such payments are meant to serve as remuneration for his services in the company.

#### Explain the compensation payable by the board member by virtue of payments made by the listed Company to a third party in which the board member provides services.

As mentioned in our report last year, Mediaset España's directors do not perceive any amounts of remuneration from another company.

A12. Any other remunerative concept other than those mentioned above, whatever their nature or company of the group which meets it, especially when it is considered a related party transaction or the issuance distorts the true picture of total remuneration earned by the director.

#### Explain other concepts of remuneration

There are no additional remuneration concepts to those already mentioned in this report provided for 2017.

A.13 Explain the actions taken by the company in relation to the remuneration scheme to reduce excessive risk exposure and adjust the objectives, values and long-term interests of the company, which shall include, where appropriate, a reference to: measures envisaged to ensure that the remuneration policy takes the long-term results of the company into account, measures establishing an appropriate balance between fixed and variable components of remuneration, measures taken in relation to those categories of staff whose professional activities have a material impact on the risk profile of the company, recovery formulas or clauses to reclaim variable components of remuneration based on the results when such components are paid on the basis of data, which has subsequently proven to be manifestly inaccurate and measures designed to prevent conflicts of interest, where applicable

#### Explain the actions taken to reduce the risks

The Board of Directors considers there to be an appropriate balance between fixed and variable remuneration of the CEO of the Company as when the latter reaches its maximum, it could mean up to 45% of the total remuneration that can accrue in their favour including all concepts.

We understand that this ratio fully meets the objectives of proportionality, preservation and encouragement that, as we have noted in previous sections, the variable remuneration system must comply with.

Regarding the existence of policies for the prevention or the resolution of a conflict of interest situation:

In Article 34 of the Board of Directors Regulations it provides that: 1. "Under the duty to avoid situations of conflict of interest indicated in section 2.e) of the previous article, the Director and his related persons in the event that they are the beneficiaries of the prohibited acts or activities, must refrain from: a) Use the name of the Company or invoke its status as a Director to unduly influence the conduct of private operations. b) Make use of the social assets, including confidential information of the Company, for private purposes; c) Take advantage of the Company's business opportunities; For these purposes, business opportunity means any possibility of realizing an investment or commercial operation that has arisen or has been discovered in connection with the exercise of the position by the director, or through the use of means and information of the Company, or under such circumstances it is reasonable to think that the third party offer was actually addressed to the Company; d) Obtaining advantages or remunerations from third parties other than the Company and its Group associated with the performance of their duties, except in the case of courtesy; e) Developing self-employed or employed activities implying effective competition, whether current or potential, with the Company or that, in any other way, puts them in a situation of permanent conflict with the interests of the Company.

In this sense, before accepting any managerial position in another company or entity, the Director must consult the Appointments and Remuneration Committee. Likewise, the Director who terminates his or her term of office or for any other reason ceases to hold office, may not be a director or manager, or provide services in another company with a corporate purpose totally or partially analogous to that of the Company or if it is a competitor, for a period of two (2) years. The Board of Directors, if it deems it appropriate, may exempt the outgoing Director from this obligation or shorten the term of the duration; f) Carrying out transactions with the Company or with companies of its group, except in the case of ordinary operations, made under standard conditions for customers and of little relevance, including those whose information is not necessary to express a true and fair view of the Company's equity, financial position and results. 2. In any case, the Directors must notify the Board of Directors of any situation of conflict, direct or indirect, that they or persons related to them may have with the interest of the Company. The situations of conflict of interest incurred by the Directors will be reported in the Annual Report.

In turn, Mediaset España and its Group of Companies Code of Ethics provides that: " It will be considered as a conflict of interest all those situations in which the interests of persons associated with the Mediaset Group may become, directly or indirectly, different from or opposed to the interests of the Group's companies, and whether for personal, professional, business or any other reason; In this regard, it will be regulated in this document and also in the "Internal Rules of Conduct in the Stock Market." The latter document provides the following in relation to conflicts of interest: "Affected persons, except for the Directors of the Company, which shall be governed in this matter by the provisions of the Board of Directors regulations, are required to inform the Director of the DCN about possible conflicts of interest. Conflict of interest is defined as any situation in which conflict arises between (or may arise), whether directly or indirectly, the interests of any Company, the integrated companies of the Mediaset Group and the personal interest of the Affected Person to this Internal Regulation of Conduct. A personal interest will exist when the matter affects that person or a closely related person. Note also that no formulas or recovery clauses have been proposed.

"Affected persons, except for the Directors of the Company, which shall be governed in this matter by the provisions of the Board of Directors regulations, are required to inform the Director of the DCN about possible conflicts of interest. Conflict of interest is defined as any situation in which conflict arises between (or may arise), whether directly or indirectly, the interests of any Company, the integrated companies of the Mediaset Group and the personal interest of the Affected Person to this Internal Regulation of Conduct. A personal interest will exist when the matter affects that person or a closely related person. Note also that no formulas or recovery clauses have been proposed.

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## **B: FUTURE FORECASTED REMUNERATION POLICY**

**Repealed**

## **C: GLOBAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE LAST FINANCIAL YEAR**

**C1. Briefly explain the main features of the structure and remunerative concepts of the remuneration policy applied in the Financial Year Ended, leading to the breakdown of the individual remuneration earned by each of the directors that are reflected in Section D of this report and a summary of the decisions taken by the board to implement these concepts.**

### **Overview of how the remuneration policy was applied last year.**

During 2016 the remuneration of directors' scheme has been based on the provisions of the Company's governance rules, therefore incorporating the elements discussed in the previous sections.

Following on from this, the exact amount of the allowances and remuneration of Board members shall be established by the Board of Directors at the amount of 75,000 Euros fixed remuneration and 4,000 Euros in attendance fees, and will be eight thousand (8,000) Euros in the case of the Chairmen of the Board of Directors and its Committees.

In addition to the above concepts executive Directors have received remuneration for the following:  
- Remuneration for the performance of executive duties.

- Variable remuneration correlated to the Company's performance indicators, with the same characteristics as those planned for previous and following years, which have been detailed in the previous sections.
- Part beneficial including pension systems and insurance.

For his part the Chairman of the Board of Directors, who has no executive functions, has received a complementary remuneration consisting of a fixed and variable amount, which has been granted in response to the special dedication required by his office.

In addition, during 2016 the CEO and the Chairman of the Board of Directors have received an extraordinary bonus of € 100,000 and € 50,000, respectively, to reward the excellent results achieved in 2015, which was approved by the Board of Directors dated February 24th, 2016. This amount has been reflected in section D. 1. "Others".

No stock options were granted to any of the directors nor, do any long-term savings systems exist. No advances, loans or guarantees of any kind have been made and all payments have been made individually, and there are no further additional remunerations to those discussed.

It must be noted that no severance has been paid to the directors in 2016.

Throughout the drafting process the Appointments and Remuneration Committee, the Board of Directors and the General Meeting have all been involved.

As mentioned in our Report last year, a "medium-term incentive and loyalty system referenced to the company's quotation value" was approved in 2016, and applicable from the said year.

This system is aimed at Executive Directors and senior management of the Company and its main objectives are as follows:

- Reward the sustainability of the company's results.
- Improve the remuneration structure.
- Align the interests of the "top management" with those of shareholders.

This system, receives in equal parts, an annual contribution from each beneficiary (25% of the bonus target) and a contribution charged to the company, establishing a given amount that will be invested in the purchase of company shares and attributed the beneficiary.

It lasts three years (Rolling) and its accrual will depend on the achievement of the established budget targets, cumulatively, for each of the three years of accrual.

During 2016, €129,755 were recorded in the profit and loss account as a result of this system, which was welcomed by the Chairman, the CEO and the other two Executive Directors.

The right to receive shares, in any case shall be subject to the maintenance of the employment relationship at the end of each triennium.

## D BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH OF DIRECTORS

Name	Type	Remuneration financial year 2016
ALEJANDRO ECHEVARRIA BUSQUET	External	From 01/01/2016 to 31/12/2016.
PAOLO VASILE	Executive	From 01/01/2016 to 31/12/2016.
MASSIMO MUSOLINO	Executive	From 01/01/2016 to 31/12/2016.
MARIO RODRIGUEZ VALDERAS	Executive	From 01/01/2016 to 31/12/2016.
GIUSEPPE TRINGALI	Proprietary Board member	From 01/01/2016 to 31/12/2016.
ALFREDO MESSINA	Proprietary Board member	From 01/01/2016 to 31/12/2016.
MARCO GIORDANI	Proprietary Board member	From 01/01/2016 to 31/12/2016.
FEDELE CONFALONIERI	Proprietary Board member	From 01/01/2016 to 31/12/2016.
GIULIANO ADREANI	Proprietary Board member	From 01/01/2016 to 31/12/2016.
ANGEL DURANDEZ ADEVA	Independent Board member	From 01/01/2016 to 31/12/2016.
BORJA PRADO EULATE	Independent Board member	From 01/01/2016 to 31/12/2016.
JOSE RAMON ALVAREZ-RENDUELES	Independent Board member	From 01/01/2016 to 31/12/2016.
HELENA REVOREDO DELVECCHIO	Independent Board member	From 01/01/2016 to 31/12/2016.

D.1 Fill out the following tables on the individual remuneration of each of the Board of Directors (including remuneration for the period of executive functions) accrued during the year

**a) Remuneration accrued in the company covered in this report:**

**i) Cash Remuneration (in thousands of €)**

Nombre	Salaries	Fixed Remuneration	Allowances	Short Term Variable Remuneration	Long Term Variable Remuneration	Remuneration for membership of Board Committees	Indemnifications	Other items	Total 2016	Total 2015
FEDELE CONFALONIERI	0	75	64	0	0	0	0	0	139	123
GIUSEPPE TRINGALI	0	75	24	0	0	0	0	0	99	99
MASSIMO MUSOLINO	487	75	24	216	0	0	0	47	849	833
MARIO RODRIGUEZ	336	75	24	177	0	0	0	37	649	631
ALFREDO MESSINA	0	75	32	0	0	0	0	0	107	103
MARCO GIORDANI	0	75	44	0	0	0	0	0	119	119
GIULIANO ADREANI	0	75	64	0	0	0	0	0	139	139
ANGEL DURANDEZ ADEVA	0	75	64	0	0	0	0	0	139	139
BORJA PRADO EULATE	0	75	36	0	0	0	0	0	111	115
JOSE RAMON ALVAREZ-RENDUELES	0	75	68	0	0	0	0	0	143	147
HELENA REVOREDO DELVECCHIO	0	75	20	0	0	0	0	0	95	95
ALEJANDRO ECHEVARRIA BUSQUET	0	75	80	184	0	0	0	685	1024	1,027
PAOLO VASILE	930	75	40	593	0	0	0	119	1757	1,854

ii) Payments schemes based on shares iii) Long term saving schemes

PAOLO VASILE												
Plan 2011												
Implementation Date	Ownership of options at the beginning of year 2015						Options assigned during the year 2014					
	N° Options	affected shares	Exercise price. (€)	Exercise period			N° Options	affected shares	Exercise price. (€)	Exercise period		
27/07/2011	67,250	67,250	5,83	Exercisable from 27/07/2014 to 26/07/2016			0	0	0	N/A		
Conditions: N/A												
Shares delivered during the period 2016			Exercised in the year 2016 Options				Opts. expired and unexercised	Options at year-end 2016				
N° shares	Price	Amount	Exercise price. (€)	N° Options	affected shares	Gross profit (k€)	N° Options	N° Options	affected shares	Exercise price. (€)	Exercise period	
0	0,00	0	5,83	67,250	67,250	321	0	0	0	0	N/A	
Other requirements for exercise: N/A												

MASSIMO MUSOLINO												
Plan 2011												
Implementation Date	Ownership of options at the beginning of year 2016						Options assigned during the year 2016					
	N° Options	affected shares	Exercise price. (€)	Exercise period			N° Options	affected shares	Exercise price. (€)	Exercise period		
27/07/2011	30,500	30,500	5,83	Exercisable from 27/07/2014 to 26/07/2016			0	0	0	N/A		
Conditions: N/A												
Shares delivered during the period 2016			Exercised in the year 2016 Options				Opts. expired and unexercised	Options at year-end 2016				
N° shares	Price	Amount	Exercise price. (€)	N° Options	affected shares	Gross profit (k€)	N° Options	N° Options	affected shares	Exercise price. (€)	Exercise period	
0	0	0	5,83	30,500	30,500	145	0	0	0	0	N/A	
Other requirements for exercise: N/A												

MARIO RODRIGUEZ											
Plan 2011											
Implementation Date	Ownership of options at the beginning of year 2015					Options assigned during the year 2014					
	N° Options	affected shares	Exercise price. (€)	Exercise period		N° Options	affected shares	Exercise price. (€)	Exercise period		
27/07/2011	24,400	24,400	5,83	Exercisable from 27/07/2014 to 26/07/2016		0	0	0	N/A		
Conditions: N/A											
Shares delivered during the period 2014			Exercised in the year 2016 Options				Opts. expired and unexercised	Options at year-end 2016			
N° shares	Price	Amount	Exercise price. (€)	N° Options	affected shares	Gross profit (k€)	N° Options	N° Options	affected shares	Exercise price. (€)	Exercise period
0	0	0	5,83	24,400	24,400	141	0	0	0	0	N/A
Other requirements for exercise: N/A											

iii) Long term saving schemes

iv) Other benefits (in thousands of €)

PAOLO VASILE					
Advanced remuneration, loans granted					
Type of interest rate for the operation		Essential features of the operation		Any repaid amounts	
0,00		N/A		N/A	
Life insurance premiums		Guarantees given by the company in favor of Board Members			
Financial Year 2016	Financial Year 2015	Financial Year 2016		Financial Year 2015	
9	8	N/A		N/A	

<b>MASSIMO MUSOLINO</b>			
<b>Advances remuneration, loans granted</b>			
<b>Type of interest rate for the operation</b>		<b>Essential features of the operation</b>	<b>Any repaid amounts</b>
0,00		N/A	N/A
<b>Life insurance premiums</b>		<b>Guarantees given by the company in favor of Board Members</b>	
<b>Financial Year 2016</b>	<b>Financial Year 2015</b>	<b>Financial Year 2016</b>	<b>Financial Year 2015</b>
5	6	N/A	N/A

<b>MARIO RODRIGUEZ VALDERAS</b>			
<b>Advances remuneration, loans granted</b>			
<b>Type of interest rate for the operation</b>		<b>Essential features of the operation</b>	<b>Any repaid amounts</b>
0,00		N/A	N/A
<b>Life insurance premiums</b>		<b>Guarantees given by the company in favor of Board Members</b>	
<b>Financial Year 2016</b>	<b>Financial Year 2015</b>	<b>Financial Year 2016</b>	<b>Financial Year 2015</b>
2	2	N/A	N/A

**b) Remunerations accrued by the board members of the company for membership of the Board in other companies of the group: i)**

**Cash Remuneration (in thousands of €)**

<b>Name</b>	<b>Salaries</b>	<b>Fixed Remuneration</b>	<b>Allowances</b>	<b>Short Term Variable Remuneration</b>	<b>Long Term Variable Remuneration</b>	<b>Remuneration for membership of Board Committees</b>	<b>Indemnifications</b>	<b>Other items</b>	<b>Total Financial Year 2016</b>	<b>Total Financial year 2015</b>
ALEJANDRO ECHEVARRÍA BUSQUET	0	0	0	0	0	0	0	0	0	0

**ii) Payment schemes based on shares**

**iii) Long term saving schemes**

v) Other benefits (in thousands of €)

ALEJANDRO ECHEVARRIA BUSQUET			
Advances remuneration, loans granted			
Type of interest rate for the operation		Essential features of the operation	Any repaid amounts
0,00		N/A	N/A
Life insurance premiums		Guarantees given by the company in favor of Board Members	
Financial Year 2016	Financial Year 2015	Financial Year 2016	Financial Year 2015
0	0	N/A	N/A

**c) Summary of the remuneration (in thousands of €):**

This summary must include all amounts of remuneration included in this report which have been accrued by the Board Member, in thousands of Euros.

For Long-term Savings Schemes, contributions or allocations made to such scheme

Name	Retribution accrued in the Company				Retribution accrued in Companies of the group				Totals		
	Total Retribution in cash	Amount of shares granted	Gross Profit of exercised options	Total financial year 2015 Company	Total Retribution in cash	Amount of shares granted	Gross Profit of exercised options	Total financial year 2015 group	Total financial year 2016	Total financial year 2015	Contributi on to saving schemes during the financial year
ALEJANDRO ECHEVARRIA BUSQUET	1.024	0	0	1.024	0	0	0	0	1.024	1,027	0
PAOLO VASILE	1.757	0	321	2.078	0	0	0	0	2.078	2,554	0
FEDELE CONFALONIERI	139	0	0	139	0	0	0	0	139	123	0
GIUSEPPE TRINGALI	99	0	0	99	0	0	0	0	99	98	0
MASSIMO MUSOLINO	849	0	145	994	0	0	0	0	994	1,150	0
MARIO RODRIGUEZ	649	0	141	790	0	0	0	0	790	818	0
ALFREDO MESSINA	107	0	0	107	0	0	0	0	107	103	0
MARCO GIORDANI	119	0	0	119	0	0	0	0	119	119	0
GIULIANO ADREANI	139	0	0	139	0	0	0	0	139	139	0
ANGEL DURANDEZ ADEVA	139	0	0	139	0	0	0	0	139	139	0
BORJA PRADO EULATE	111	0	0	111	0	0	0	0	111	115	0
JOSE RAMON ALVAREZ-RENDUELES	143	0	0	143	0	0	0	0	143	147	0
HELENA REVOREDO DELVECCHIO	95	0	0	95	0	0	0	0	95	95	0
<b>TOTAL</b>	<b>5.370</b>	<b>0</b>	<b>607</b>	<b>5.977</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5.977</b>	<b>6,628</b>	<b>0</b>

## D.2 Report on the relationship between the remuneration received by the directors and the profits or other performance of the organization, explaining, where appropriate, how variations in the performance of the company have been able to influence the variation of salaries of the directors.

As indicated previously in section A4, there is a high degree of interaction between the variable remuneration which the Directors may receive and the results or performance of the Company.

Note that the accrual of variable remuneration, which may constitute up to 45% of the total remuneration payable to the Managing Directors, is dependent on the achievement of three objectives that clearly determine the economic performance of the Company:

- Advertising revenue.
- Consolidated EBIT.
- Free Cash Flow.

This variable remuneration is payable only if and when the above objectives are met by a percentage equal to or greater than 85%. Below this level there is no variable compensation fulfilment.

A compliance level of 85% with the objectives, 50% of the variable remuneration corresponds and, from there, it is subject to graduation, with a maximum level of compliance equal to or greater than 105%, to which 130% of the variable remuneration would correspond.

## D.3 Report on the result of the advisory vote of the general meeting on the Annual Remuneration Report of the previous year, indicating the number of negative votes if they have been issued:

	Number	% of the total
<b>Votes</b>	270,922,682	73,99 %

	Number	% of the total
<b>Negative Votes</b>	57.791.769	21,33%
<b>Votes in Favor</b>	202.158.365	74,62%
<b>Abstentions</b>	10.972.548	4,05%

## E: OTHER RELEVANT INFORMATION

If there is any relevant aspect relating to the remuneration of directors that has not been possible to include in the other sections of this report, but it is necessary to include in order to gather more comprehensive and reasoned information on the structure and remuneration practices of the Company in relation to the directors, briefly explain.

Section D. 3

Indicate that in the calculation of the total votes cast it included 2,810 votes which were blank votes.

This annual remuneration report has been approved by the Board of Directors of the Company at its meeting held on 23/02/2017.

Indicate whether any Directors voted against or abstained from the approval of this report

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No