

**MEDIASET ESPAÑA COMUNICACIÓN, S.A**  
**DIRECTOR'S REMUNERATION POLICY**  
**2018 – 2020**

## **I. INTRODUCTION**

The director's remuneration policy contained in this document has been designed based on the provisions of Legislative Royal Decree 10/2010, of 2<sup>nd</sup> July, approving the revised text of the Capital Companies Act ("Capital Companies Act"). Thus, in application of the provisions of article 529 *novodecies* of the Capital Companies Act, the General Shareholders' Meeting approves the director's remuneration policy, at least every three years, as a separate point on the agenda.

Following the above, and pursuant to the provisions of Articles 56 of the Articles of Association and 28 of the Board of Directors Regulations, the Board of Directors of Mediaset España Communication, S.A. (hereinafter, Mediaset España or the Company), at the proposal of the Appointments and Remuneration Committee, agreed at its meeting held on 27<sup>th</sup> February, 2018, to submit the present Mediaset España's director's remuneration policy for the approval of the General Shareholders' Meeting.

In accordance with Article 529 *novodecies* of the Capital Companies Act, this proposed remuneration policy for the Board of directors is accompanied by a reasoned legal report justifying it issued by the Appointments and Remuneration Committee. This report will be available on the Mediaset España website ([www.mediaset.es/inversores.es](http://www.mediaset.es/inversores.es)) from the call of the General Meeting.

## **II. PRINCIPLES ON WHICH THE REMUNERATION POLICY IS BASED**

In accordance with the principles governing Mediaset España's management, and in accordance with the provisions of article 28 of the Board of Directors Regulations and the best corporate governance practices, the remuneration policy must be:

- In accordance with the responsibilities assigned to them and the dedication employed.
- Incentive based and therefore, likely to retain the most valuable professionals rewarding the dedication, qualification and responsibility that the position requires.
- Related, at all times, to the importance of the Company in the business environment and its economic situation.
- In line with the market standards of companies of similar size and activity.
- Designed to promote the long-term profitability and sustainability of the Company.
- Contain the necessary precautions to prevent 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.

### **III. DIRECTORS REMUNERATION IN THEIR CAPACITY AS SUCH**

Following the provisions of the Company's governance regulations, the Directors, in their capacity as members of the Board of Directors, will be entitled to receive remuneration from the Company that will consist of a fixed annual amount and attendance fees. In the case of the Chairmen of the Board of Directors, and of the Executive, Audit and Compliance, and Appointments and Remuneration Committees, attendance fees will be higher.

The Ordinary General Meeting of the Company held on 15<sup>th</sup> April, 2015 agreed to set the maximum amount that the Company can pay to all of its Directors in respect of (i) fixed annual remuneration and (ii) attendance fees, in the amount of 2,500,000 euros throughout each year; provided that, in the exceptional event that the number of Board or Committee meetings held in a given year reach the maximum amount indicated, the remaining sessions of the Board or its committees to be held within that year will not generate the right to receive allowances.

In this regard, according to article 56.1 of the Company's Articles of Association, the amount indicated above will have to be increased annually according to the Consumer Price Index and establishing the exact amount to be paid within that limit, and its distribution among the different Directors, corresponds to the Board of Directors.

The Director's remuneration does not provide for the granting of loans or advances or guarantees; likewise, their participation in social welfare systems is not provided for, nor indemnities for termination of their relationship with the Company, except in the cases of executive directors. Also, they do not receive any compensation for belonging to other Boards of Directors of the Group's companies.

In accordance with the provisions of the Articles of Association, the Chairman of the Board of Directors, who does not have executive functions and holds the status of external director, will receive a supplementary remuneration in response to the special dedication required by the position for a maximum annual amount of € 1,100,000. This must be approved by the Board of Directors based on objective and measurable criteria, following a prior report from the Appointments and Remuneration Committee.

### **IV. EXECUTIVE DIRECTORS REMUNERATION**

#### **IV.1 Retributive concepts applicable to Executive Directors**

With respect to the remuneration of executive directors for the performance of delegated or executive functions in the Company, in accordance with the provisions of article 56.2 of the Articles of Association and as provided for in their respective contracts approved by the Board of Directors, they are entitled to receive the following the Remuneration concepts:

- (i) An annual fixed sum that is appropriate to the delegated or executive services and responsibilities assumed, which include a fixed sum of monetary remuneration and another in kind for habitual concepts specific to the Company's management team.
- (ii) An annual variable sum correlated to the Director's or the Company performance indicators, consisting of:
  - (ii).a. Variable remuneration referenced to budgetary objectives
  - (ii).b. Partial and voluntary annual variable remuneration in shares.

- (ii).c). Medium-term incentive and loyalty system referenced to the market value.
- (iii) Benefits.

The maximum amount of executive directors' annual remuneration for the concepts referred to in section IV of the Remuneration Policy amounts to 5,000,000 euros, not including the executive director's remuneration as members of the Board of Directors within this maximum amount.

There are currently three executive directors: Mr. Paolo Vasile, CEO, Mr. Massimo Musolino and Mr. Mario Rodríguez Valderas.

#### (i) **Fixed Remuneration**

The executive directors in their capacity as executives of the Company receive a fixed sum of monetary remuneration established in their respective contracts, appropriate to the functions and responsibilities attributed to each director.

Following a proposal from the Appointments and Remuneration Committee, the Board of Directors has agreed that the executive directors will receive the following fixed remuneration in 2018:

- Mr. Paolo Vasile: 929,695 euros
- Mr. Massimo Musolino 499,171 euros
- Mr. Mario Rodríguez Valderas 336,244 euros

This fixed remuneration may be subject to annual variation or update by decision of the Board of Directors and following a report from the Appointments and Remuneration Committee based on the performance of the Company's results, the work performed by the director in question and the remuneration observed in comparable companies, taking into account such updates or changes in the amounts of the fixed remuneration in the corresponding Annual Report on the Directors Remuneration, which will be made available to shareholders upon the call of the Ordinary General Meeting of the Company.

In turn, the executive directors, in their capacity as executives of the Company, receive a **fixed remuneration in kind** for habitual concepts specific to the Company's entire management team:

- CEO: (i) company vehicle; (ii) housing in Spain (Madrid) and parking space; (iii) life and accident insurance; (iv) medical insurance that includes beneficiaries; (v) tax payments on account paid by the employer.
- In the case of the rest of the executive directors: (i) company vehicle; (ii) life and accident insurance; (iii) medical insurance that includes beneficiaries; (iv) tax payments on account paid by the employer.

**(ii) .a) Variable remuneration referenced to budgetary objectives**

For the performance of their managerial functions within the Company the executive directors receive variable remuneration correlated to Mediaset España performance indicators.

CEO's Objectives	Executive director's objectives
<p>The Chief Executive Officer's objectives are fixed on following variables:</p> <p>(i) Consolidated EBIT of the group (25% weighting)</p> <p>(ii) Free Cash Flow (25% weighting)</p> <p>(iii) Advertising revenues (50% weighting)</p> <p>The sum of the weights is 100%, the result of each objective is independent of the rest.</p>	<p>The other two executive director's objectives are fixed on following variables:</p> <p>(i) Consolidated EBIT of the group (50% weighting)</p> <p>(ii) Free Cash Flow (25% weighting)</p> <p>(iii) Accumulated audience of the Group's channels (25% weighting)</p> <p>The sum of the weights is 100%, the result of each objective is independent of the rest.</p>

In the case of the CEO, the variable remuneration system provided, allows for the achievement of between 50% (for achieving 85% of objectives) and 130% of the fixed remuneration (for achieving above 105% of objectives).

In relation to the executive director, Mr. Massimo Musolino, the variable remuneration system established allows for the maximum achievement of 51% of the fixed remuneration. 17% depends on individual objectives, another 17% on company objectives (the achievement of which is a condition for the accrual of variable remuneration), the remaining 17% depends on the performance evaluation during the year.

Finally, for the executive director, Mr. Mario Rodríguez, a variable remuneration system has been foreseen that allows a maximum achievement of 56% of the fixed remuneration. 20% depends on individual objectives, 20% on company objectives (the achievement of which is a condition for the accrual of variable remuneration), and 16% depends on the performance evaluation during the year.

The approval and evaluation of the CEO's objectives is carried out by the Board of Directors, following a report from the Appointments and Remuneration Committee. For this purpose, the proposals, the results achieved, and the resulting amount are presented to the Appointments and Remuneration Committee beforehand.

The other two executive director's objectives are established by the CEO, who also performs the achievement evaluation thereof, at the proposal of the Human Resources Department, although said objectives must be approved by the Board of Directors, following a report from the Appointments and Remuneration Committee.

In any case, when determining variable remuneration, any qualifications stated in the external auditor's report will be considered and will reduce the Company's results.

The payment of the executive director's variable remuneration is deferred for four months from the end of the year, following the application of the internal procedures for checking compliance with the previously established performance conditions and, in any case, prior approval by the General Meeting; The procedure for verifying that these objectives have been complied with is carried out after the close of the fiscal year, in accordance with the following procedure:

- (i) In the three months following the close of the fiscal year, the Board of Directors and/or the CEO, where appropriate, will evaluate whether the approved objectives have been complied with at the time of preparing the previous year's annual accounts; Therefore, it is necessary that the annual evaluation has been closed and audited and the annual accounts have been formulated.
- (ii) Furthermore, and once compliance with the previously established performance conditions has been verified, the effective payment of the variable remuneration does not take place until the fourth month after the close of the fiscal year, once the annual accounts have been approved by the General Meeting, which allows the Company to detect any possible breach or irregularity, in which case the variable remuneration will not be paid.

**(ii).b) Partial and voluntary annual variable remuneration in shares,**

In the next three years, a proposal for an agreement that allows the CEO and the other executive directors, among others, to receive part of the variable remuneration that corresponds to them, in Company shares will be submitted for the approval of the General Shareholders' Meeting, in accordance with the following conditions:

- (i) Voluntary nature: Receipt of variable remuneration in shares will be voluntary on the part of the beneficiaries;
- (ii) Maximum Limit: The maximum number of shares to be received by each beneficiary is the result of applying 12,000 euros at average share price on the date of delivery;
- (iii) Value of shares: the average trading price of the share on the date of delivery;
- (iv) Delivery time: The remuneration system shall 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 applicable.

**(ii).c). Medium-term incentive and loyalty system referenced to market value.**

At the proposal of the Appointments and Remuneration Committee, the Board of Directors submits, for the approval of the Company's Ordinary General Meeting, a medium-term incentive and loyalty system referenced to market value that will be applicable to 2018 – 2020, inclusive. The aforementioned incentive system will have the following main objectives:

- Reward the sustainability of the Company's results.
- Improve the composition of remuneration.

- Align the interests of "top management" with shareholders.

This system receives in equal parts, an annual contribution from each beneficiary (25% of their variable remuneration target in 2018) and a contribution charged to the company, establishing a given amount that will be invested in the purchase of company shares and attributed to the beneficiary.

It will last three years, and its accrual will depend on the established budgetary targets being achieved, cumulatively, for each of the three years of accrual.

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

It must be taken into account, therefore, that (i) the shares that, in compliance with said Plan, must be assigned to each Director, and may not be finally delivered if the conditions established for delivery are not met; and (ii) the value attributed to the assigned shares is the current market price of the same, which does not have to correspond to the value that said shares will have at the moment in which, if applicable, they are delivered.

### **(iii) Benefits**

There are no long-term saving plans such as consideration for retirement of executive directors. However, in accordance with the agreement signed with Mr. Massimo Musolino, the Company makes an annual provision consisting of one-thirteenth of the sum of the fixed and variable annual remuneration, updated with reference to the annual CPI, which would be effective when said Director ceases employment in the Company. The annual cost is 50,241 euros.

Executive directors, in addition to the aforementioned specific remuneration for the exercise of delegated or executive functions as members of the Board of Directors, receive a fixed amount and attendance allowances under the terms established in the Articles of Association.

The maximum amount of annual remuneration for all Directors in their capacity as such is established at 2,500,000 euros. This maximum amount will remain in force until its modification by the General Shareholders' Meeting is approved.

None of the executive directors receive any remuneration for their membership in other management bodies of the Group's companies.

## **IV.2. Contractual conditions of the executive directors.**

### **Duration:**

All Mediaset España's executive directors' contracts have an indefinite duration insofar as they relate to the performance of their executive functions in the Company.

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

**Indemnities:**

- The CEO's contract does not include clauses where compensation for early termination of his executive functions is established, nor any other type of compensatory remuneration.
- With regards to the other two executive directors, (Mr. Mario Rodríguez and Mr. Massimo Musolino), 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:
  - (i) 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.
  - (ii) Termination by fair or unfair dismissal: legal allowance, plus indemnity provided for in point (i) above.

**Exclusivity, post-contractual non-competition, permanence or loyalty agreements:**

- None of the executive directors' contracts contemplate permanence or post-contractual non-competition obligations.
- Notwithstanding the fact that the duty of loyalty prevents any director from carrying out activities on his own behalf or for others that imply effective, current or potential competition with the Company, Mr. Musolino's contract, by reference to his status as a director, contains a clause which prohibits competition, 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 España, or the specific activity performed by it, anticipating that in the case of noncompliance, Mediaset will be entitled to deduct the assets, for the period defaulted, from the liquidation.

**V. VALIDITY OF THE REMUNERATION POLICY**

If approved by the General Shareholders' Meeting, to be held during the first half of the year, this policy will remain valid for the years 2018 to 2020, both included.

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