



SUSTAINABILITY REPORT 2018





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## Letter to Stakeholders



**D**ear stakeholder,

this introduction to the Non-Financial Statement gives us the chance to notify and share with you the many activities that the Group has been involved in and committed to over the last year.

As could easily be predicted, 2018 was a complex year. The main financial indicators, particularly in Italy, gradually deteriorated, setting off an unprecedented volatility on financial markets and hampering expectations of a recovery in consumption and advertising investments.

In this scenario, Mediaset still had the ability to pursue the objectives set in keeping with guidelines notified to the financial market in early 2017 with considerable determination.

In 2018, Mediaset first and foremost consolidated its central position as a cross/media publisher in Italy and Spain, as well as its leadership position in Europe for the num-

ber of viewers and hours of original products.

In particular, it was involved in numerous developments, while maintaining a steady focus on sustainability.

Mediaset successfully managed on an exclusive basis the media event of the year in June and July - **the 2018 World Cup in Russia**. For the first time ever in Italy, all matches were broadcast live and on free-to-view TV, as well as on the web and mobile devices.

The event was widely acclaimed by viewers, critics and industry operators alike, rewarding the hard work of our journalists, operators, technicians and studio operators. Overall viewing figures amounted to around 297 million TV viewers (49 million more compared to the previous World Cup when Italy matches were also aired), plus 35 million web and smartphone views and around 20 million unique users of Mediaset digital content on the official Mediaset Mondiali FIFA 2018 app.

At the same time as the World Cup, the new **Mediaset Play** online platform was launched: all Mediaset TV contents can now be accessed on the web from a single platform, where users can view programmes live and on demand, from TV screens, PCs or mobile devices. This new service is free, and aims to offer entertainment and knowledge for all Italians.

Mediaset contents are therefore gaining ground on all free and pay-to-view platforms: digital terrestrial TV, satellite and online streaming. This continual expansion has led to two major results: on the one hand the public have the chance to view Mediaset channels on any device, and on the other hand the strength, quality and value of Mediaset schedules and contents have been consolidated.

As regards **the central nature of contents and their distribution**, Mediaset's efforts to safeguard intellectual property in Italy over the years has been vitally important. We have been pleased with recent rulings,

which finally implement consolidated European case law on the infringement of copyright in Italy, backing up our claims pending final approval of the European Directive on copyright in the digital single market.

In the summer, **Mediaset's television news and information services** were fully involved in covering the collapse of the Morandi Bridge in Genoa. Besides 24-hour coverage of the event, extraordinary news editions and in-depth programmes, the Company decided to suspend commercials for the entire day when the funerals of the victims were held on 18 August. This was an extremely significant gesture for a commercial television whose only revenues are from advertising, with a considerable change in schedules to alert the public immediately to the meaning of the day.

**The radio sector** was consolidated. In just over three years, the first national group of broadcasters, RadioMediaset, has been set up, creating - through careful editorial and business actions, culminating in 2018 with the acquisition of Radio Monte Carlo - an efficient, profitable pole, and managing the

additional social responsibility related to radio broadcasting and its social function.

A focus on the social function of communication was confirmed in a thoroughly innovative way by our advertising sales company **Publitalia '80**, that hosted "Digital Next" for the first time ever in Italy, in 2018. This annual, international congress is organised by EGTA, the association of advertising sales entities of leading radio and TV broadcasters in Europe. The event underlined the recognition of our advertising sales company, that was the first in Italy to develop and launch "advanced" advertising solutions for free-to-view TV reaching out to the entire population.

In keeping with Mediaset's goal of consolidating its focus on the core business of free TV, we have finalised a major operation enabling us to monetise the value created on an industrial level through **El Towers**, without foregoing a key presence in the strategic sector of TV transmission towers. The company, now run by an institutional fund,

has gained a status as independent operator, which will allow it to be more easily involved in the consolidation process already underway at national and international level.

The year has therefore been important and essential, marked by the work and expertise of **our human capital**: thousands of people, motivated by advanced working conditions represent a competitive asset for us, which we will continue to invest in.

Similarly, we will continue to invest in the social dimension through **Mediafriends**. In 2018, we supported the immense work of many people, organising solidarity initiatives including "Fabbrica del Sorriso" with its fundraising initiatives for children, as well as fundraising campaigns on TV to help children and those in financial need.

In brief: Today, Mediaset has an even more robust financial position and is a market leader. It is a company that looks towards new frontiers of technological innovation,



but is still focussed on managing and development its outstanding professional expertise. It is a company with a strong, transparent governance, capable of meeting the new challenges of market conditions that are continually evolving and becoming increasingly global. It has an important financial role in Italy, attentive of requests from the most discerning stakeholders, of the most evolved viewers and the most demanding advertising investors.

For the Board of Directors  
The Chairman





## **Note on methodology**



**T**his document is the second consolidated non-financial statement (hereinafter “Sustainability Report” or “Report”) issued by the Mediaset Group (also “Mediaset” or “Group”) describing the initiatives and main results of the Group in the economic, social and environmental spheres in 2018 (from 1 January to 31 December). This document is issued in compliance with Italian legislation (Legislative Decree of 30 December 2016, no. 254, hereinafter “Decree 254”) on the reporting of information of a non-financial nature, to which the Group is subject.

The 2018 Sustainability Report has been drawn up in accordance with the GRI Sustainability Reporting Standards including the Media Sector Disclosures, published in 2016<sup>1</sup> and in 2014 respectively by Global Reporting Initiative (GRI), under the “Core” option.

The present document, taking into account the expectations of stakeholders and the impacts generated by business activities, offers a full and accurate representation of

the management models, the policies implemented by the company, the results obtained and the principal risks - generated or suffered - associated with the issues expressly addressed in Article 3 of Decree 254 (environmental, social, labour relations, respect for human rights, the fight against corruption), including procedures for their management.

In particular, the principal risks identified by the Group in regard to these issues are: risks connected with reputation and relations with stakeholders; risks connected with the management of human resources; risks connected with policy on partnerships and alliances; risks connected with environmental policy; and risks connected with governance.

For more information on initiatives taken by the Group, on main risks generated or incurred and relative management procedures, see the “Internal control and risk management system” section and relative sections in this document.

In particular regard to respect for human rights, and given the regulatory environment in which Mediaset operates, this topic is addressed as part of the management of relations with employees and suppliers, in respect for the principles and values embodied in the Code of Ethics of the Group. In view of the specific nature of the business sector in which the Group operates, note that the Group does not consume significant amounts of water or emit atmospheric pollutants other than greenhouse gases. For this reason, and without detracting from the full comprehension of the Group’s activities, information on these topics (addressed in Article 3 paragraph 2 of Decree 254) is not included in the present Report.

The contents of the present document are arranged by issues of relevance to the Group and its stakeholders, as identified by the materiality analysis. In particular, the process whereby the contents were defined is based on the principles of relevance, inclusiveness of stakeholders, completeness and operating context. The principles of balance, accuracy, verifiability and comparability have been observed in regard to the quality of the information reported. The GRI Content Index containing the GRI indicators

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<sup>1</sup> For the Occupational Health and Safety indicator (GRI 403) the update proposed by GRI in 2018 was considered.

associated with each material topic can be found in the appendix to this document.

The scope of the economic and financial data reported is the same as for the 2018 Consolidated Financial Statement of the Mediaset Group. The scope of social and environmental data and information includes the companies which were members of the Mediaset Group on 31 December 2018 and fully consolidated in the Consolidated Financial Statements<sup>2</sup>.

However, as regards extraordinary operations during the reporting period considered (deconsolidation of the EI Towers Group on 30/09/2018 and sale of the subsidiary R2 on 30/11/2018), given the significance of the operations and relative impact on sustainability generated by some companies over the year, data and information on these companies have been included in the environmental and social data of the Group for 12 months. Data on employees at 31.12.2018 presented in this document do not consider the employees of these companies.

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<sup>2</sup> For a list of the companies included under the full consolidation method, see “List of equity investments included in the Group’s consolidated financial statements at 31 December 2018” in the explanatory note to the Consolidated Financial Statements of 31 December 2018 of Mediaset S.p.A.

Considering the significance of the EI Towers Group, and to guarantee the comparability of data with the previous year and a greater clarity in representing this data, the breakdown of staff at 31.12.2017 was restated with EI Towers indicated separately.

Additional restatements of comparative data previously published are clearly indicated as such in the document.

Any additional exceptions to the scope of reporting indicated above shall be identified in the relevant section of this document.

Also included is information on actions undertaken in previous years and which continue to be applied in the policies currently pursued by the Group, in order to correctly represent the Group’s operations.

To guarantee the reliability of data, estimates have been used as little as possible. Where used, they are identified appropriately and based on the best methods available.

The following designations are used in the text:

- EI Towers Group for EI Towers S.p.A. and subsidiaries

- Mediaset Premium for Mediaset Premium S.p.A.
- R.T.I. for R.T.I. S.p.A.
- Taodue for Taodue S.r.l.
- Publieurope for Publieurope Ltd.
- Medusa for Medusa S.p.A.
- RMC for RMC Italia S.p.A.
- Publitalia '80 per Publitalia '80 S.p.A.
- Digitalia '08 for Digitalia '08 S.r.l.
- Mediaset España for Mediaset España Comunicacion S.A.

During 2018, the Group oversaw various stakeholder engagement initiatives, to identify the needs and expectations of its main stakeholders, prior to the future identification of objectives related to material topics.

Moreover, for what concerns topics related to Health and Safety, the Group has started to extend OHSAS 18001:2007 certification

to the Radiophonic Department of the Group by the end of 2019<sup>3</sup>.

The process to achieve continual improvement in sustainability, which was started last year, continued, with the Group planning the following for 2019:

- continuing its increasingly focussed approach to identifying and formalising guidelines and objectives for sustainability topics considered significant;
- formalising a reporting procedure to define the roles, responsibilities, information flows and times to prepare the Group's Non-Financial Statement.

This document was approved by the Board of Directors of Mediaset S.p.A. on 12 March 2019.

The present Report was subjected to a conformity assessment (“limited assurance engagement” under the criteria in ISAE 3000 Revised) by Deloitte & Touche S.p.A.. The assessment was conducted according to the procedures indicated in the “Independent

Auditor's Report” included in the present document.

The Sustainability Report is published annually. For further information on the Sustainability Report, please write to:

**[direzione.affarisocietari@mediaset.it](mailto:direzione.affarisocietari@mediaset.it)**

The Sustainability Report is also available on the Mediaset website (Corporate/Sustainability section).

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<sup>3</sup> The companies of the radiophonic department for which the certification is expected are: Radiomediaset S.p.A., Radio Studio 105 S.p.A., Virgin Radio Italy S.p.A., Monradio S.r.l., RMC Italia S.p.A.







## 1 ■ The Mediaset Group



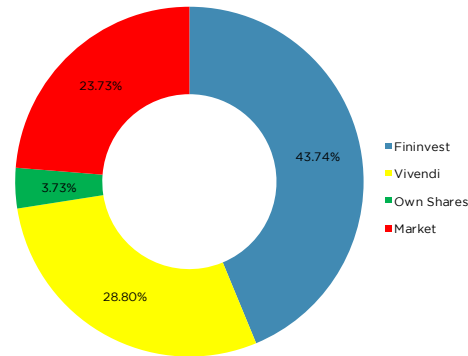
## 1.1 PROFILE AND ACTIVITY

### SHAREHOLDING STRUCTURE

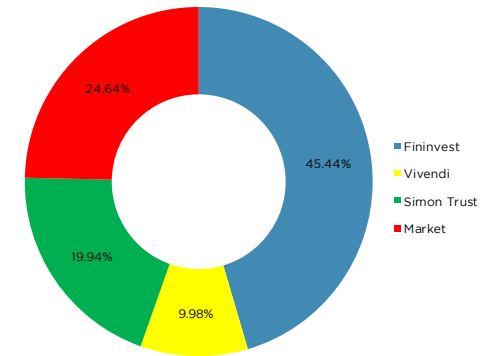
Mediaset S.p.A.<sup>4</sup> is the holding company of the Mediaset Group. It has been listed on the Milan stock exchange since 1996 and is mainly active in the TV sector in Italy and Spain.

At 31 December 2018,<sup>5</sup> the shareholding structure of the Group was as follows:

Mediaset Shareholders



Voting Rights



<sup>4</sup> Its head office is at Viale Europa 44/46/48, Cologno Monzese. Its registered office is in Via Paleocapa, 3, Milan.

<sup>5</sup> on 12 April 2018 Vivendi S.A. announced, as required by Article 120 of the TUF and in compliance with the Italian Media Authority Decision No. 178/17/CONS, that it had signed a consulting agreement with Simon Fiduciaria S.p.A. and its sole shareholder Ersel Sim S.p.A., relating to the exercise of voting rights for the shares held by the fiduciary company according to the instructions given by Ersel Sim, through its Chairman. Vivendi S.A. has kept its right to instruct the fiduciary company on the exercise of voting rights at the shareholders' meeting of Mediaset S.p.A. on matters for which the shareholders who did not take part in the decision are authorised to exercise their right of withdrawal.

## THE MEDIASET GROUP - BUSINESS ACTIVITIES

In Italy, the Mediaset Group operates in the sector of **integrated television operations**, which include commercial TV broadcasting with three of the largest Italian generalist networks and an extensive portfolio of free and paid thematic channels (both in linear, non-linear and OTTV modes) with a wide range of content also exclusive, centered on cinema, TV series, documentaries and children’s channels. Over the last three years, Mediaset has also created a radio broadcasting segment comprising some of Italy’s biggest broadcasters.

The Group draws on the expertise of two of its subsidiaries, Medusa and Taodue, in film distribution and the production of films and TV drama series, and also purchases sports, film and TV series content from third parties.



(\*) i indirectly owned by means of a 40% stake of 2i Towers Holding

To secure its position in a market increasingly dominated by cross-platform solutions, the Group has launched a web business oriented towards TV based on free online video content combining new products with premium on-demand video-streaming services.

In Italy, the Mediaset Group operates via two advertising sales agencies in which it holds 100% interests: Publitalia '80, the exclusive sales agency for the free-to-air Mediaset networks; and Digitalia '08, which handles advertising sales for the pay TV platform.

Both agencies are managed through the subsidiary, Publieurope.

With Mondadori, the Group participates in a joint-venture, Mediamond, which sells advertising space on the Mediaset Group's online and radio platforms, the websites of Mondadori Group publications and third-party publishers.

Following the completion of the takeover bid in October 2018 for the entire capital of Ei Towers S.p.A., Mediaset no longer has control of Ei Towers, keeping a minority

stake in 2i Towers Holding (Company indirectly controlled by the infrastructure fund F2I SGR, which has full control over Ei Towers S.p.A.).

The operation, in line with Mediaset's objective of consolidating its focus on free-to-view television, will enable it to keep a minority stake in a sector which is of structural importance to its own core business, through its investment in 2i Towers Holding.

Following completion of the take-over bid, the cancellation of the listing of Ei Towers was arranged.

In **Spain**, Mediaset is the main shareholder of Mediaset España, with an interest of 51,63 % at 31 December 2018 (equivalent to an equity interest of 51.63 % minus its own shares). Mediaset España is Spain's leading commercial television broadcaster, with two general interest channels (Telecinco and Cuatro) and a range of free-to-air thematic channels.

Mediaset España is listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia, and on the Spanish electronic stock market Ibex 35.

## 1.2 HISTORY

**Before 1996** The origins of the Mediaset Group lie in the late 1970s, when Milan-based entrepreneur Silvio Berlusconi founded a local cable TV channel, Telemilano, broadcasting from its purpose-built headquarters.

Two years later, in 1980, Telemilano was re-baptized as Canale 5. Due to a change in regulations, Canale 5 began transmitting all over Italy, something hitherto prohibited under Italian law.

The new channel was a breath of fresh air for the Italian viewing public, for until then the only national broadcaster was the state-controlled Rai, whose three channels constituted a monopoly.

To compete on equal terms with the public service broadcaster, the new private broadcaster put together its own 3-network offering: Canale 5 was joined by Italia 1 (acquired from Rusconi in 1982) and Retequattro (acquired from Arnoldo Mondadori Editore in 1984).

The new broadcaster was named Rti (Reti televisive italiane) and was assisted

by an exclusive advertising sales agency, Publitalia '80, and two other companies: Videotime, which was in charge of technology and TV production, and Elettronica Industriale, which managed the transmission network infrastructure.

Together, Rti, Publitalia, Videotime and Elettronica Industriale were placed under the control of a new company, Mediaset. And so the Mediaset Group was born.

**1996** Mediaset is floated on the Milan stock exchange, opening its stock to institutional investors and small shareholders (around 300,000).

**1997** Mediaset's international expansion begins with its acquisition of a 25% stake in private Spanish broadcaster Telecinco.

**1999** The Group enters the online world with Mediaset.it (a website dedicated to Canale 5, Italia 1 and Retequattro) and Mediaset Online (renamed TgCom in 2001), a news site available over multiple platforms (Internet, television, radio, Mediavideo teletext and mobile phone).

**2003** Mediaset increases its stake in Telecinco, gaining a controlling interest in the

company with 50.1% of its shares. Telecinco is floated on the Madrid stock exchange the following year.

**2004** Digital terrestrial television launches in Italy. The new technology allows many more channels to be broadcast than with the existing analog system. Mediaset launches Boing, a channel directed exclusively at children, and Mediashopping, a secure telesales channel.

**2005** The Group launches Mediaset Premium, a digital terrestrial channel offering live coverage of Serie A football via smartcards, with no need for subscription. Mediaset Premium also offers TV movie premieres, theatre and live events in the pay-per-view format.

**2006** *Il labirinto del fauno*, a film produced by Gruppo Telecinco, wins 3 Oscars.

**2007** In a consortium with Cyrte Fund and Goldman Sachs, Mediaset relieves Telefonica of control of Endemol, a Dutch TV production company and the world's leading format producer.

- Mediaset also acquires Medusa, Italy's leading cinema production and distribution company
- Mediaset launches a new free-to-air digital terrestrial channel: Iris. The new channel specializes in classic movies, music, and adaptations from literature and theatre.

**2008** Mediaset signs an agreement for the acquisition of Taodue, a leading Italian producer of quality fiction and drama series

- Mediaset launches Premium Gallery, a new premium content service available over digital terrestrial TV, using the smartcard format. Gallery has exclusive broadcasting rights in Italy for the best US films and series by Time Warner and NBC-Universal.
- Disney Channel and Premium Calcio 24 launch.

**2009** Publitalia '80 and Mondadori Pubblicità reach an agreement on online advertising sales and found a new company owned in equal proportions, Mediamond.

- TivùSat, Italy's first free digital satellite platform, launches. Its owner, Tivù s.r.l., is jointly owned by Rai (48.25%), Mediaset (48.25%) and Telecom Italia Media (3.5%). TivùSat operates as a complement to digital terrestrial TV, serving areas the terrestrial signal is unable to reach.
- In Spain, Mediaset S.p.A., Gestevisión Telecinco S.A. and Promotora de Informaciones S.A. (Prisa Group) announce the acquisition by Telecinco of a new company whose assets include Cuatro (a free-to-air Spanish TV station owned by Sogecable S.A.), and a 22% interest in Digital Plus. The deal makes the Mediaset Group the leading TV operator in Spain.
- Taodue produces Checco Zalone's *Cado dalle nubi* (distributor: Medusa Film), the 2009/2010 season's biggest box office hit.

**2010** video.mediaset.it, a catch-up service allowing viewers to watch recently-broadcast Mediaset TV programmes, goes live.

- NewsMediaset, an "in house" agency providing images, news and services to the entire Mediaset structure, is created.
- 12 May: Mediaset launches La5, a free-to-air digital terrestrial channel broadcasting female-oriented content 24 hours a day.
- 26 November: Mediaset Extra, a new free channel specializing in reruns of the most popular Mediaset entertainment programmes, launches.

**2011** Premium Net Tv, a new non-linear TV format offering up to 6000 titles on demand, launches.

- July: Mediaset enriches its Mediaset Premium digital terrestrial offering with two new pay channels: Premium Crime, for aficionados of detective films and thrillers, and Premium Cinema Comedy, a showcase for the best of Italian and US comedy.
- Mediaset Italia 2, a new free-to-air digital terrestrial channel, begins transmission. The new channel offers movies, TV films, documentaries, cartoons, sports and entertainment shows directed at a young, predominantly male, audience.

- Cartoonito, a free-to-air digital terrestrial channel for children aged 6 and under, launches. Like Boing, Cartoonito is the fruit of a joint venture by Mediaset and Turner Broadcasting System Europe Limited, and enriches Mediaset's free content offering for children and teenagers.
- Plans to merge EI Towers with DMT are approved.
- In 2012, on completion of the financial restructuring of the Endemol Group, Mediaset reduces and then sells its holding in Endemol.
- Premium Play, conceived as the successor to Premium Net TV, is launched. With its advanced technology, ease of use, quality and innovative content, Premium Play breaks new ground in the Italian multimedia sector.
- TgCom24 is repurposed as a free-to-air news channel available over DTT (slot 51) and satellite (slot 24), continuing to operate online via TgCom24.it and now available for smartphone and tablet with free-to-download apps.
- Taodue repeats the success of *Cado dalle nubi* with a new film production, *Che*

*bella giornata* (distributor: Medusa Film), which outstrips the former in terms of viewer figures and box office receipts.

**2013** Paolo Sorrentino's film *La grande bellezza* (producer: Medusa Film) wins the Oscar for best foreign picture and the Golden Globe for best film. A new Checco Zalone film produced by Taodue, *Sole a catinelle*, is the year's biggest box office hit with receipts of 51.8 million euros, and the most-viewed Italian film since Cinetel records began.

- Mediaset España secures "free" transmission rights for 25 matches - including those featuring the national team, Spain - at the football World Cup in Brazil, which runs from 12 June to 13 July 2014.
- Mediaset and Fox International Channels Italy sign an agreement for the inclusion of the Fox Sports channel in the Mediaset Premium roster. The new channel has exclusive rights for the live transmission of leading European football matches.
- Mediaset signs an agreement with Eurosport for the inclusion of two channels, Eurosport and Eurosport2, in its Mediaset Premium roster. The deal extends the

non-football pay-per-view offering of Mediaset to include the leading tennis tournaments, cycling tours, winter sports, motor sports, athletics, swimming, basketball, handball, hockey and numerous emerging disciplines.

- Mediaset launches Infinity, Italy's first OTT (streaming television) service. The new platform offers subscribers access to a catalogue of over 6000 titles including films, TV series, and drama and entertainment shows.

**2014** Mediaset wins the exclusive, all-platforms Italian broadcasting rights for all Champions League live matches and highlights for the three-year period spanning 2015-18.

**2015** Spanish operator Telefonica acquires 11.1% of the shares in Mediaset Premium for a price of 100 million euros.

- Mediaset signs an agreement with Warner and Universal awarding it exclusive Italian rights over the films and TV series distributed by the two US giants for the periods spanning 2016-20 and 2016-18 respectively.



- Mediaset demands that Sky pay a retransmission fee for the unauthorized inclusion of the Group's free-to-air TV channels on its satellite platform. Sky contests the requested fee and Mediaset decides to encrypt its satellite channels, effective from 2400 on 7 September 2015.

**2016** Mediaset and French group Vivendi sign a strategic alliance under which Mediaset would acquire 3.5% of the share capital of Vivendi, with Vivendi acquiring 100% of Mediaset Premium and 3.5% of Mediaset. On the eve of the deal, (25 July 2016) Vivendi signals its intention to withdraw from the agreement. On 19 August, Mediaset files with the courts of Milan in an attempt to obtain the compulsory enforcement of the agreement. Vivendi reacts in hostile fashion by building its stake in its Italian rival, and on 22 December informs the markets it holds 28.8% of the ordinary share capital of Mediaset, equivalent to 29.94% of voting rights. The operation attracts the attentions of the Italian securities market regulator, Consob, the communications regulator, AgCom, and the public prose-

cutor in Milan, which opens an enquiry into market manipulation.

- Also in 2016, Mediaset creates Italy's leading radio broadcasting group in terms of audience and advertising revenue. The new group, RadioMediaset, includes the broadcasters R101, Radio 105 and Virgin Radio, as well as a partnership with Radio Monte Carlo.
- Checco Zalone's fourth film, *Quo Vado?* (produced by Taodue and distributed by Medusa), opens in Italy. It beats all records with 65.4 million euros of box office sales.

**2017** Mediaset acquires a 5.5% holding in Studio 71, Europe's leading multichannel network - and among the five biggest in the world - controlled by the German group ProSiebenSat.1Media. It also creates a joint venture, "Studio 71 Italia", in which Mediaset holds a 49% stake. The new joint venture is in charge of the Italian operations of Studio 71.

- The Board of Directors of Mediaset approves the Mediaset 2020 plan, which outlines the development strategy and financial targets for the period spanning

2017-20. Under this plan, Mediaset's share of the Italian advertising market will increase from 37.4% to 39.0% by 2020, with EBIT from Italian media activities increasing by 468 million euros.

- The communications regulator Agcom rules that Vivendi's holding in Mediaset and Telecom Italia is in breach of regulations, and orders the French company to reduce its holding.
- Mediaset acquires a 100% stake in free-to-air TV channels Retecapri (LCN 20), Retecapri +1 (LCN 120), and Retecapri HD (LCN 121).
- Mediaset decides not to bid for pay TV rights for Serie A in the 2018-21 period as it holds the conditions of auction, issued by Lega Calcio, to be unacceptable. The auction is cancelled and bidding postponed.
- Mediaset acquires an 11.1% holding in Mediaset Premium from Telefónica, regaining 100% ownership of the latter.
- Publitalia 80 and Publiespaña join TF1 (France) and ProSiebenSat1 (Germany) to create AdTech Ventures, which holds a 33% stake in European Broadcaster Ex-

change (EBX), a joint venture enabling advertisers to book campaigns across all member digital platforms. On 14 November, Channel 4 announces it is joining EBX.

- RadioMediaset acquires RadioSubasio and Radio Aut, central Italy's leading radio broadcasters by coverage and audiences.
- Mediaset's holding in El Towers rises to 41.74% as a result of a buyback of its own shares by El Towers.
- Mediaset's holding in Mediaset España increases to 51.63% as a result of a share buyback.
- Mediaset signs a three-year accord with the FIA for exclusive Italian television rights for Formula E, the world's leading electric auto racing championship.
- Mediaset wins exclusive transmission rights for the 2018 football World Cup in Russia. For the first time, the Mediaset Group will be offering all matches free-to-air in both Italy and Spain.

**2018** On 30 March, an agreement was reached between Mediaset and Sky Italia

for a number of long-term commercial agreements to extend the multiplatform coverage of the Premium channels and start cooperation between the two companies. This agreement enables Sky Italia to use the Premium pay platform which is active on digital terrestrial TV. On 5 November 2018, Mediaset, exercising the put option established in agreements signed with Sky, assigned Mediaset's Premium technological platform, 100% of the company R2 SpA to the satellite operator. The operation became effective from the end of November and has been approved by the competent Authorities (AGCM and AGCOM). On 22 January 2019, AGCOM authorised this operation. On 8 March 2019, AGCM has notified the initiation of the investigations for this operation. On 31 December 2018, Mediaset exercised the option right established in these agreements, assigning to Sky, as from 1 June 2019, the distribution of the Premium Cinema and RTI Serie channels on digital terrestrial TV.

- In March, RTVE, Atresmedia and Mediaset España signed an agreement for the launch of a platform, open to all DTT operators, to create, develop and distribute

the audiovisual content of the three communication groups in order to improve the quality of free TV products and user experience, through services and functions offered by the TV technology Hbb TV and the Internet.

- On 10 May 2018, Mediaset reached a commercial agreement with TIM for the online transmission, as from January 2019, on TIMVision of all Mediaset free-to-view channels (generalist and thematic channels, including Focus which has been aired since mid-May and the news channel TGCom 24), which at present can only be viewed by Mediaset.it customers.
- As from May, Focus programmes have been broadcast on channel 35, the new free-to-view channel dedicated entirely to culture. Focus - the TV version of Italy's most widely-read magazine takes an in-depth look at the topics of science, nature, the environment, animals, technology, history and current affairs, with a language that is simple, clear, direct and engaging.
- For the first time in Italy, Mediaset broadcast live and free of charge all 64

games of the 2018 World Cup in June and July. The free broadcast of the 64 games of the 2018 World Cup in Russia was a huge success for Mediaset on an editorial level and in terms of viewers.

- On 16 July 2018, Mediaset finalised a commercial agreement with Perform, which enables “Premium Calcio” customers as from 1 August to access sports events on the DAZN platform, the new live streaming and on demand sport service, that can be used on all digital devices, including smart TVs, without having to take out subscription packages.
- On 31 August 2018, RadioMediaset, a subsidiary of Mediaset S.p.A. acquired 100% of the shares in RMC Italia S.p.A, the lead company of the Radio MonteCarlo network
- In July, Mediaset finalised a partnership with the infrastructure fund F2i SGR in which Mediaset will invest, with a minority share, in 2iTowers Holding, an indirect subsidiary of F2i.
- 2i Towers, the company vehicle wholly owned by 2i Towers Holding, made, on the same date and subject to obtaining necessary authorisation, a take-over bid

to purchase the entire capital of Ei Towers S.p.A. The operation, in line with Mediaset’s objective of consolidating its focus on free-to-view television, will enable the Mediaset Group to keep a minority stake in a sector which is of structural importance to its own core business, through its investment in 2i Towers Holding, while also promoting, in keeping with a dynamics already consolidated at an international level, the gradual ownership separation of infrastructure and editorial management of TV content. Following completion of the take-over bid, the cancellation of the listing of Ei Towers was arranged.

### 1.3 THE VALUES OF THE MEDIASET GROUP

The founding principles of the Mediaset Group are embodied in its Code of Ethics<sup>6</sup>, which defines the values cherished by the group at every level and in every area it pursues its business interests.

<sup>6</sup>The Group’s Code of Ethics is implemented by all member companies except for Ei Towers and the Mediaset Group in Spain, which operate their own codes based on the parent company’s.

The present Code of Ethics was approved by the Board of Directors of Mediaset S.p.A. and by other Italian companies belonging to the Group on 18 December 2012 (the original Code was adopted in 2002, and subsequently modified in 2008, 2012 and 2018). The Code was created in the conviction that ethical conduct is necessary for the success of every business venture. Therefore it is a cornerstone of the Compliance Programme and internal control system of the Group, which also includes the Organizational Guidelines issued for each business process.

Modifications and additions to the Code of Ethics are subject to the approval of the Boards of Directors of individual companies and promptly communicated at Group level.

The revision of the Code of Ethics in 2018 will be approved by the Boards of Directors of Companies during 2019.

In the pursuit of its business activities, the Group therefore undertakes to respect applicable laws and regulations in all countries where it operates, in conformity with the principles of freedom and individual dignity and in respect for diversity in all its forms, rejecting all forms of discrimination based

on gender, race, religion, political convictions or socio-economic conditions.

As a major presence in the social and economic context in Italy and in other countries, the Mediaset Group bases its growth on a solid reputation for transparency and rigour in the pursuit of its business activities.

In this respect the Group is committed to promoting a working environment based on respect for others and the values of loyalty, trust, transparency and integration, and continuously promotes priorities such as the health, safety and privacy of its employees.

As regards the various categories of stakeholders, the Mediaset Group has always made every effort to combat corruption by acting transparently in its dealings with customers, suppliers and institutions, always and without exception respecting the principle of free competition.

The Group has always valued the wealth to be found in diversity, research and innovation, focussing on the young and caring for the environment, enabling each individual to find fulfilment in his or her work, the basic

principles which underpin its activities, and the people who have made it successful.

## 1.4 THE MEDIASET GROUP, ITS BUSINESS CONTEXT AND SUSTAINABILITY

In a rapidly-evolving national and international context where new platforms are constantly emerging and integrating, with new operators launching new services and new formats, the Mediaset Group - as Italy's leading private television broadcaster - pursues its business objectives taking into consideration its risk factors, internal and external, thereby exerting a significant influence on the evolution and sustainability of its own business model. Factors in this sustainability include:

- Socio-demographic trends (rising average age of traditional TV viewership) and new ways of consuming content among younger age groups (non-linear consumption on new devices)
- New competitors (telecoms, global Internet players etc.) operating at every link in the supply chain (content control, distribution platforms, client databases and advertising) and thereby depriving

traditional operators of their role as intermediaries;

- Regulatory changes on the national and international levels (copyright protection, concentration of advertising etc.), changes to allocations processes, evolving distribution infrastructure (DTT, broadband).

This scenario places the Group in a context characterized by the growing maturity of the leading markets (free-to-air and pay TV) and the rising cost of the premium content offered by operators.

In such a context, the Group is focussing on the evolution of its product strategy and video distribution in multi-device format (type of content, accords/partnerships, competencies), an orientation to agreements and alliances designed to create value for Mediaset, and the definition of an organizational model defining flows of communication, competencies and technology in new competitive scenarios.

In the pursuit of its business activities, the Group maintains relations with a multiplicity of stakeholders in its efforts to protect their interests, while setting itself the target of

generating a positive social impact in the territories where it operates.

For these reasons, the Mediaset Group is careful to fully comply with the applicable laws and regulations in all the countries in which it operates, undertaking to act in accordance with the principles of loyalty, propriety, responsibility and freedom of the individual, respecting diversity and rejecting discrimination in all its forms.

What this signifies in its business context is caring for its own employees and cultivating their professional advancement, safeguarding intellectual property rights and the rights of minors, developing training initiatives and promoting culture.

**MAPPING OF STAKEHOLDERS AND MATERIALITY ANALYSIS**

As required by the Global Reporting Initiative (GRI) reporting standards, to prepare the first Sustainability Report, main company functions were involved in structured analysis to identify the main stakeholders and most important topics to report on in the Sustainability Report.

For what concerns sustainability reporting, the material economic, social and environmental topics are those on which the company has a significant impact (positive and negative) and that may substantially affect stakeholders' evaluations and decisions. Accordingly, the materiality analysis takes into account both the organizational and stakeholders' points of views.

**MAP OF STAKEHOLDERS**



In 2018, in keeping with the approach adopted for the previous Non-Financial Statement and in order to update the materiality matrix, main company functions and some 50 entities representing main stakeholder categories (advertising investors, service and content suppliers, TV agents, financial analysts and Group employees) were involved in workshops and online surveys.

The results of the analysis are presented in the following materiality matrix, which illustrates the weighted combination of the degree of relevance/criticality of topics for the Group and its stakeholders. The materiality analysis process and materiality matrix were submitted to the Control, Risk and Sustainability Committee of Mediaset S.p.A., who approved them during the Board Meeting of 19 February 2019.

The materiality matrix shows the most significant topics, according to a degree of relevance/criticality. The chart shows the topics with a degree of relevance/criticality varying from "high" to "very high". These topics can be referred to the following uniform areas of sustainability: "Economic responsibility", Responsibility towards em-

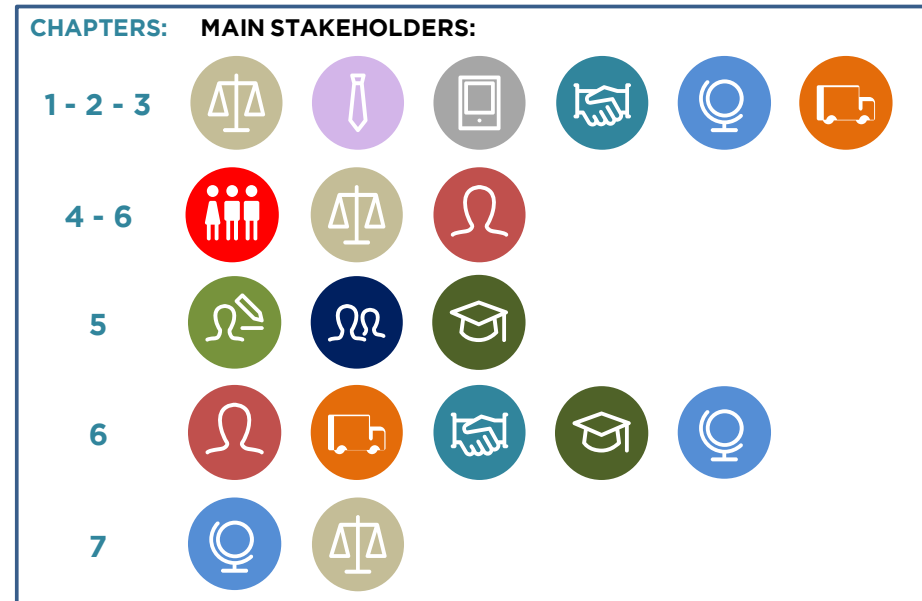


ployees, Product responsibility, Corporate governance and compliance, Responsibility towards suppliers, Social responsibility and responsibility towards the community, Environmental responsibility.

The topics identified in this analysis are systematically monitored as part of the corporate risks assessment process.

The strategies, policies and instruments associated with individual material topics are reported in depth in the present document.

This document is structured to draw up the relevant topics included in the materiality matrix in line with the graphic's legend. For easier comprehension, an example is given below to correlate the topics addressed in different chapters with main stakeholders categories.












## PERIMETER OF IMPACT OF RELEVANT

### TOPICS

The table below shows the perimeter of impact of the material topics, grouped by areas, and their reconciliation with the GRI topics.

MATERIALITY ISSUES FOR MEDIASET	GRI TOPIC RELATED STANDARDS	PERIMETER OF MATERIALITY ISSUES	
		Where impact occurs	Type of impact
 <p><b>Compliance with regulatory requirements</b></p> <p><b>Risk management</b></p> <p><b>Corporate governance</b></p>	<ul style="list-style-type: none"> <li>- Anti-corruption</li> <li>- Anti-competitive behavior</li> <li>- Environmental compliance</li> <li>- Socio-economic compliance</li> </ul> <p>n/a</p> <p>n/a</p>	<p>Mediaset Group</p> <p>Mediaset Group</p> <p>Mediaset Group</p>	<p>Generated by Group</p> <p>Generated by Group</p> <p>Generated by Group</p>
 <p><b>Economic performance</b></p> <p><b>Indirect economic impact</b></p>	<ul style="list-style-type: none"> <li>- Economic performance</li> <li>- Indirect economic impacts</li> </ul>	<p>Mediaset Group</p> <p>Mediaset Group</p>	<p>Generated by Group</p> <p>Generated by Group</p>

MATERIALITY ISSUES FOR MEDIASET	GRI TOPIC RELATED STANDARDS	PERIMETER OF MATERIALITY ISSUES	
		Where impact occurs	Type of impact
<b>Responsible advertising and marketing</b>	<ul style="list-style-type: none"> <li>- Marketing and labelling</li> </ul>	Mediaset Group	Generated by Group
<b>Quality, integrity and continuity of service</b>	<ul style="list-style-type: none"> <li>- Content creation</li> <li>- Content dissamination</li> </ul>	Mediaset Group Business partners, suppliers of content	Generated by Group and connected with Group activities
 <b>Customer satisfaction</b>	<ul style="list-style-type: none"> <li>- Customer privacy</li> <li>- Audience interaction</li> </ul>	Mediaset Group	Generated by Group
<b>Intellectual property protection</b>	<ul style="list-style-type: none"> <li>- Intellectual property</li> </ul>	Mediaset Group	Generated by Group
<b>Accessibility of the product</b>	<ul style="list-style-type: none"> <li>- Content dissamination</li> </ul>	Mediaset Group	Generated by Group
<b>Strategic and business partnerships</b>	<ul style="list-style-type: none"> <li>- Content creation</li> <li>- Content dissamination</li> </ul>	Mediaset Group Business partners, suppliers of content	Generated by Group and connected with Group activities
 <b>Human resources development and management</b>	<ul style="list-style-type: none"> <li>- Occupation</li> <li>- Occupational health and safety</li> <li>- Assessment of protection of human rights</li> <li>- Training and education</li> <li>- Content creation</li> <li>- Non-discrimination</li> </ul>	Employees[*]	Generated by Group
<b>Industrial and labour relations</b>	<ul style="list-style-type: none"> <li>- Labor and management relations</li> <li>- Freedom of association and collective bargaining</li> </ul>	Employees; Trade unions	Generated by Group

MATERIALITY ISSUES FOR MEDIASET	GRI TOPIC RELATED STANDARDS	PERIMETER OF MATERIALITY ISSUES	
		Where impact occurs	Type of impact
 <b>Responsible and sustainable management of supply chain</b>	<ul style="list-style-type: none"> <li>- Procurement practices</li> <li>- Freedom of expression</li> <li>- Content dissamination</li> <li>- Content creation</li> </ul>	<p>Mediaset Group</p> <p>Artistic resources, business partners, content suppliers</p> <p>Suppliers, subcontractors</p> <p>Artistic resources, business partners, content suppliers</p>	<p>Generated by Group and connected with Group activities</p>
 <b>Relations with public administration</b>  <b>Social commitment</b>	<ul style="list-style-type: none"> <li>- Performance economica</li> <li>- Impatti economici indiretti</li> </ul>	<p>Mediaset Group PA, governance and regulatory bodies</p> <p>Mediaset Group Local communities and associations</p>	<p>Generated by Group</p> <p>Generated by Group</p>
 <b>Environmental impact management</b>  <b>Electromagnetic emissions</b>	<ul style="list-style-type: none"> <li>- Energy</li> <li>- Emissions</li> <li>- Discharges and waste</li> <li>n/a</li> </ul>	<p>Mediaset Group</p> <p>Mediaset Group</p>	<p>Generated by Group and connected with Group activities</p> <p>Generated by Group and connected with Group activities</p>

[\*] The information regarding Occupational Health and Safety and its indicators cover all the companies in the Group, with the exception of Netsonic's employees who are located outside the EU, and include all the external collaborators in Italy and temporary workers in Spain.





## **2 ■ Economic performance and investor relations**



## 2.1 SUMMARY OF FINANCIAL DATA

	€ millions	2018	%	2017	%
<b>Consolidated net income</b>		<b>3,401.5</b>		<b>3,550.1</b>	
Italy		2421.4	71%	2,555.3	72%
Spain		981.6	29%	996.3	28%
<b>Operating Result</b>		<b>73.7</b>		<b>226.4</b>	
Italy		-182.9		-19.1	
Spain		256.9		245.3	
<b>Net Result</b>		<b>471.3</b>		<b>90.5</b>	
		0		0	
<b>Net Invested Capital</b>		<b>3,592.6</b>		<b>3,774.6</b>	
		0		0	
<b>Shareholders' equity (Group and third parties)</b>		<b>2,856.2</b>		<b>2,382.5</b>	
Shareholders' equity (Group)		2412.4		1,916.6	
Shareholders' equity (third parties)		443.7		465.9	
<b>Net financial position</b>		<b>-736.4</b>		<b>-1,392.2</b>	
Italy		-904.3		-1,527.5	
Spain		167.8		135.3	

(\*) It should be noted that to ensure better comparability, 2017 data has been restated, as required by IFRS 5 (Non current asset held for sale and Discontinued operations), to include EI Towers' Net Result in the Net Result of Discontinued Operations item.

Refer to the 2017 Non Financial Statement, available in the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it), for the the previously reported data.

## 2.2 DISTRIBUTION OF ECONOMIC VALUE GENERATED

The following table shows the distribution of economic value of the Mediaset Group in regard to the principal stakeholder categories: suppliers, human resources, financial institutions, shareholders, the public administration and community.

The data is based on the Consolidated Income Statement.

**Economic value generated** includes:

- *Characteristic economic value* generated by the Group in terms of:
  - Revenues from sales and services
  - Other revenues and income
  - Financial income

<b>ECONOMIC VALUE GENERATED AND DISTRIBUTED</b>	<b>2018</b>		<b>2017 (*)</b>	
	From the consolidated financial statement (millions of euros)	% distributed	From the consolidated financial statement (millions of euros)	% distributed
<b>Valore economico caratteristico generato dal Gruppo</b>	<b>3,474</b>		<b>3,606</b>	
<b>Risultato netto attività discontinue</b>	<b>550</b>		<b>54</b>	
<b>Economic value generated by Group (A)</b>	<b>4,024</b>	<b>100%</b>	<b>3,661</b>	<b>100%</b>
<b>Economic value generated by Group (B)</b>	<b>3,493</b>		<b>3,721</b>	
Remuneration of suppliers	2,676	66%	2,948	81%
Remuneration of financial system	91	2%	71	2%
Remuneration of employees	497	12%	487	13%
Charity	0.7	0%	0.5	0%
Public administration remuneration	103	3%	92	3%
Remuneration of third party shareholders	126	3%	123	3%
<b>Difference between generated and distributed (A)-(B)</b>	<b>531</b>		<b>-60</b>	
<i>Other economic components (**)</i>	<i>-59</i>	<i>1%</i>	<i>151</i>	<i>-4%</i>
<b>Added value retained by company</b>	<b>471</b>	<b>12%</b>	<b>91</b>	<b>2%</b>

(\*) It should be noted that to ensure better comparability, 2017 data has been restated, as required by IFRS 5 (Non current asset held for sale and Discontinued operations), to include El Towers' Net Result in the Net Result of Discontinued Operations item.

(\*\*) Depreciation, reserve funds, changes in the inventories and all the non-monetary components have been included.

Refer to the 2017 Non Financial Statement, available in the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it), for the the previously reported data.



- *Net result of discontinued operations*, relative to the net economic contribution generated in the two financial years by the El Towers Group (deconsolidated as from the fourth quarter of 2018), including the net capital gain for 2018, realised following the sale of this equity investment.

The **value** is **distributed** as shown below:

- Value distributed to **external suppliers** inclusive of purchase costs, services, other costs and amortization of tangible and intangible property;
- Remuneration of **personnel**, which is equivalent to personnel costs;
- Remuneration of **financial institutions**, represented by financial expenses;
- Remuneration of **the public administration**, including costs and current taxes;
- Remuneration of the **community**, principally deriving from donations, grants for social and philanthropic causes and sponsorships for charities;

- Remuneration of **minority interests** of Mediaset España (48.37%) and Monradio (20%).

The difference between the Economic value generated and economic value distributed, net of non-monetary economic components represents, in the absence of distribution to Parent Company shareholders, the Added value retained by the Business.

## 2.3 RELATIONS WITH INVESTORS

The Mediaset website publishes financial information (financial statements, interim reports and additional financial information, presentations to the financial community and the performance of Stock Exchange transactions involving financial instruments issued by the Company) as well as data and documents that are of interest to shareholders (press releases, composition of Company bodies and committees, company by-laws, regulations and minutes of Shareholders' Meetings, as well as documents and information on corporate governance and the compliance programme pursuant to Legislative Decree 231/2001).

In order to establish an ongoing relationship with the shareholders, based on an understanding of their respective roles, the Board of Directors appointed the Chief Financial Officer of the Group as the person in charge of managing relations with the shareholders.

### MEDIASET SHARES ON THE STOCK MARKET

(Source: Bloomberg)

	2018	2017
Maximum price (euros)	3.4	4.4
	<i>07-May</i>	<i>11-Jan</i>
Minimum price (euros)	2.5	2.9
	<i>06-Sep</i>	<i>10-Nov</i>
Opening price 1/1 (euros)	3.2	4.2
Closing price 31/12 (euros)	2.744	3.2
Average volumes (m)	4.3	5.2
Max. volumes (m)	30.8	29
	<i>03-Apr</i>	<i>10-Oct</i>
Min. volumes (m)	0.9	1.4
	<i>03-Sep</i>	<i>25-Aug</i>
Number of ordinary shares (m)	1,137.14	1,136.40
<b>Capitalization on 31/12 (m/euros)*</b>	<b>3,120.3</b>	<b>3,670.6</b>

\*own shares are excluded from the calculation.

For this purpose the Chief Financial Officer is assisted by the following two functions that report directly to him:

- The Company Affairs Department, which oversees relations with retail investors and institutional entities (CONSOB, Borsa Italiana);
- The Investor Relations Department, which oversees relations with the financial community (financial analysts, institutional investors and ratings agencies).

In January, the financial calendar with details of main financial events, is reported to the market and published on the Company's website.

The company guarantees that the market receives information which is appropriate, fit for purposes of a correct evaluation of the financial and revenue prospects for the Group, compliant with applicable legislation and in accordance with the principles of clarity, propriety and parity of access to information.

In particular, during 2018, the company participated in leading media trade shows (especially Milan and London) and met numer-

ous institutional investors during a roadshow which stopped off at some of the leading financial centres, and in individual meetings in its own offices and during various roadshows over the course of the year.

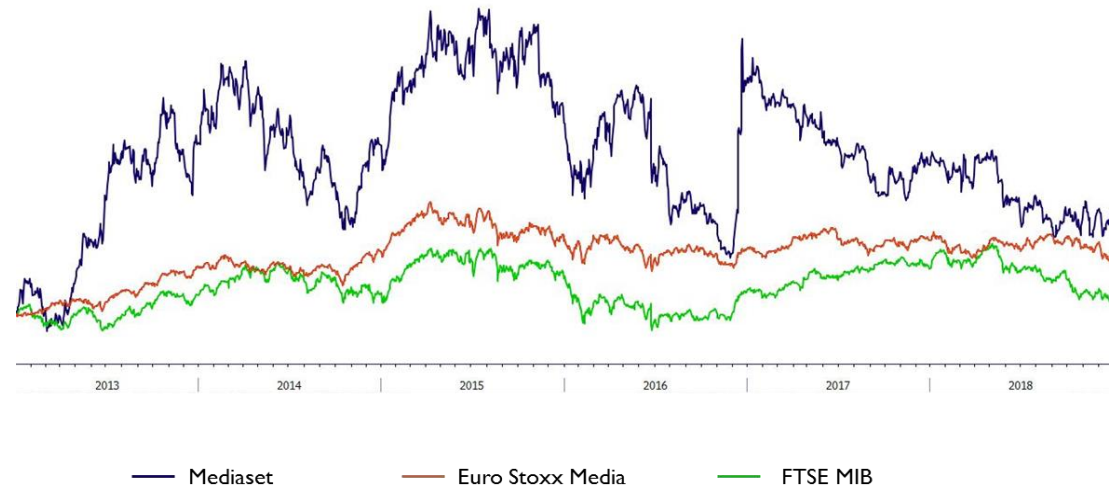
These activities were part of the daily work of interaction with the 28 brokers covering Mediaset stock and the numerous investors who contact the company via its Investor

Relations team.

Mediaset share was confirmed in the **FTSE4GOOD Index**.

The FTSE4GOOD Index is a basket of securities representing companies with a high ESG rating, selected by FTSE Russell, one of the first companies and staunchest supporters of responsible investment principles.

**MEDIASET STOCK AND THE MAIN INDEXES\***



\*Following FTSE MIB's quarterly review of December 2018, Mediaset's bond has been excluded from the referenced index, with effect from December 27th 2018. Mediaset's bond has been included in the FTSE Italia Mid Cap Index.

The purpose of this index is to allow institutional investors to identify companies that best meet demand for responsible investments.

The contact details and telephone numbers of the Corporate Affairs Department and Investor Relations Department of the Mediaset Group are also published on the Company's website.



### **3 ■ Ethics, integrity and transparency in business activities**



### 3.1 CORPORATE GOVERNANCE

Mediaset S.p.A., the holding company of the Mediaset Group, is listed on the Electronic Stock Market<sup>7</sup> of the Italian stock exchange, and is a signatory to the most recent edition of the Code of Corporate Governance for listed companies (July 2018), implementing its principles and adjusting its own Corporate Governance system to national and international best practices in this sphere.

The subsidiary Mediaset España Comunicación S.A., listed on the Madrid, Barcelona, Bilbao, and Valencia Stock Exchanges and on the Spanish electronic stock market – Ibex 35 and its subsidiaries are subject to Spanish Law and to the Spanish corporate governance system.

Following the completion of the take-over bid to purchase the shares of El Towers S.p.A., Mediaset holds a minority stake of 40% in the share capital of 2i Towers Holding S.p.A., held 100% by El Towers S.p.A., the leading independent tower operator in

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<sup>7</sup> Following changes in the composition of the FTSE-Mib index, at the close of trading on 21 December 2018, i.e. as from 27 December, the Company has been listed in the FTSE Italia Mid Cap Index.

Italy, engaged in network infrastructure management and the provision of electronic communications services for television and radio broadcasting and mobile transmissions.

Mediaset has adopted a traditional administration and control system consisting of the following corporate bodies: the shareholders' meeting, board of directors, executive committee and board of statutory auditors.

The powers and operations of company bodies and committees are governed by law, by the company's bylaws, by the resolutions passed by the competent company bodies and by the principles and criteria set down in the Corporate Governance Code for Listed Companies.

The shareholders' meeting represents all shareholders and has powers to deliberate, in ordinary and extraordinary sessions, on matters falling under its remit by law or by the bylaws. The shareholders' meeting is chaired by the Chairman of the Board of Directors, and its decisions, taken in conformity with the law and with the bylaws, are binding. The shareholders' meetings of Me-

diaset are governed by regulations framed to ensure they proceed in an orderly and productive fashion, and in observance of the fundamental right of each shareholder with voting rights to take part in the meetings, to request clarifications on the items under discussion, to express their opinions and to formulate proposals. See the "Profile and activity" section of the present Report for a breakdown of the share ownership structure.

The Board of Directors is the collective body of Mediaset S.p.A. responsible for administration of the company. It plays a key role in the Company's organization, overseeing functions and responsibility for its strategic and organizational guidelines, checking the existence of controls necessary to monitor the performance of the Company and Group. The system of delegation of powers is such that the central role of the Board is maintained within the Company's organisation. The Board of Directors is invested with the powers provided for by law and by Article 23 of the bylaws. In addition, the Board performs the activities assigned to it by the Corporate Governance Code for Listed Companies.

The Board of Directors met thirteen times in 2018. Each meeting lasted on average approximately one hour and a half. The overall percentage of directors attending during 2018 was approximately 90%, while the percentage of independent directors attending was approximately 94% overall. At 31 December 2018, the Board of Directors<sup>8</sup> comprised 15 members:

Fedele Confalonieri, Pier Silvio Berlusconi, Marco Giordani, Gina Nieri, Niccolò Querci, Stefano Sala, Marina Berlusconi, Marina Broggi, Andrea Canepa, Francesca Mariotti, Danilo Pellegrino and Carlo Secchi, (taken from the majority list no. 2); Raffaele Cappiello, Costanza Esclapon de Villeneuve and Giulio Gallazzi (taken from the minority list no. 1).

The Board of Directors comprises 67% men and 33% women. 12 directors are aged over 50, and three are aged between 30 and 50.

The Board of Directors has appointed three internal committees with advisory functions: the Compensation Committee, the Control, Risk and Sustainability Committee and the Governance and Appointments Committee.

<sup>8</sup> The members of the Board of Directors have been appointed 27 June 2018.

Since 2017, the Board of Directors has been responsible for guaranteeing that the Sustainability Report is prepared and published in conformity with the requirements of Legislative Decree 254/2016. On 28 June 2018, the Board of Directors confirmed the duties of the Control, Risk and Sustainability Committee; in addition to the duties set out in the Corporate Governance Code for Listed Companies, it has duties to supervise sustainability issues related to business operations and the dynamics of interaction with stakeholders.

The Board of Statutory Auditors has the powers invested in it by law and by the by-laws, in addition to its internal control and auditing remit. In particular, the Board of Statutory Auditors oversees the financial reporting process, the effectiveness of the Internal Control and Risk Management System, the statutory audit of annual and consolidated accounts, and the independence of the statutory auditor. With the entry into effect of Decree 254/2016, the Board of Statutory Auditors is also responsible for overseeing compliance with the requirements of the Decree in regard to the preparation of the Sustainability Report, and prepared an annual statement to this effect for

the Shareholders' Meeting. At 31 December 2018, the members of the Board of Statutory Auditors were:

Mauro Lonardo, Francesca Meneghel, Ezio Maria Simonelli (regular auditors); and Stefano Sarubbi, Flavia Daunia Minutillo and Riccardo Perotta (alternate auditors). The Board of Statutory Auditors will remain in office until the Shareholders' Meeting for the approval of the financial statements for the year ending 31 December 2019. The Chairman of the Board of Statutory Auditors is Mauro Lonardo, who was first in the minority list.

The Board of Statutory Auditors met 22 times in 2018, with a total participation rate of 86%.

During the year, in line with the consolidated practice of the company, with the purpose to increase the knowledge from all the administrators and the statutory auditors of the reality and the business dynamics and to favour a great knowledge of the sector in which the society operates, of the regulatory framework and self-regulate, different meetings are continued turns to a close examination of thematic specifications of



business and corporate governance, through one structured program of Induction also with the aid of external advisors and the involvement of the management of the company and its subsidiaries.

The statutory auditors of the company have been invited to attend all these meetings.

For more detailed information on the company's governance structure, including the composition of the corporate governance bodies of the Mediaset Group, diversity in governance bodies and remuneration policy for the members of these bodies, the reader is referred to the Report on Operations, Report on Corporate Governance and Ownership Structure and the Compensation Report, which are all available in the Governance section of the company's website at [www.mediaset.it](http://www.mediaset.it).

## **3.2 ETHICS AND INTEGRITY IN BUSINESS**

### **CODE OF ETHICS**

As indicated in paragraph 1.3 above, the Code of Ethics of the Mediaset Group de-

finies the values which the Group cherishes, accepts and shares at every level in the pursuit of its business activities.

During 2018, it was considered appropriate to revise the current Code of Ethics; this was due, among others, to changes in the business activities of the Mediaset Group, the need to bring the provisions of the Code of Ethics in line with the Compliance Programme and to align with legal developments (for example concerning whistleblowing). The new Code of Ethics will be approved by the Board of Directors of Mediaset S.p.A. and its Italian subsidiaries during 2019.

The principles and provisions of the Code of Ethics are binding on directors, auditors, all persons holding an employment contract with Mediaset Group companies and all persons working for/with the Mediaset Group, regardless of the nature of their employment relationship, even temporary, with the company (e.g. employees, suppliers, clients etc.).

Respect for the principles and values enshrined in the Code of Ethics is of fundamental importance for the correct opera-

tion, reliable management and image of the Mediaset Group<sup>9</sup>.

All activities of the Group are therefore pursued in a spirit of fair competition, in full respect for the laws and regulations of the jurisdictions of all countries in which it operates, and for the ethical principles commonly applied in the pursuit of business, such as honesty, fairness, propriety, transparency and good faith.

The Mediaset Group propagates the principles and values enshrined in its Code of Ethics via targeted information campaigns, especially with regard to its corporate bodies, staff and employees, encouraging them to apply and strictly observe these principles and values.

The Code of Ethics is issued to all employees of the Group together with their salary statements, and to new recruits at the moment of recruitment.

The Code of Ethics of the Mediaset Group is published in the "Sustainability" section of the Mediaset Group's website ([www.mediaset.it](http://www.mediaset.it)), in English and Italian,

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<sup>9</sup> Including foreign investees

and in the “Portale 231” section of the corporate intranet system.

The Mediaset Group also implements training activities addressing its Code of Ethics, as required under the administrative liability provisions of Legislative Decree 231/01) and in reference to the “Compliance Programmes” implemented by Group companies<sup>10</sup>. According to circumstances and requirements, training plans are administered in classroom courses or via special e-learning modules.

Following its adoption and subsequent amendments, the Code of Ethics was adequately distributed to recipients, including external staff and suppliers, and more in general, to all parties that have business dealings with Mediaset Group companies. Revisions were made in order to include a specific formal reference of the Code of Ethics (and Compliance Programme of Mediaset S.p.A.), so that any infringement of regu-

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<sup>10</sup> The companies which have implemented their own Compliance Programmes under Decree 231/01 are: Mediaset S.p.A., Medusa Film S.p.A., Publitalia '80 S.p.A., Taodue S.r.l., Digitalia '08 S.r.l., R.T.I. S.p.A., Elettronica Industriale S.p.A., Mediaset Premium S.p.A., Monradio S.r.l., Radio Mediaset S.p.A., Radio Engineering Co. S.r.l., Radio Studio 105 S.p.A., Virgin Radio Italy S.p.A..

lations in the Code or Programme may constitute breach of contractual obligations.

In line with its Italian counterpart, the **Mediaset Group in Spain** implements its own Code of Ethics, which applies both to the parent company and its subsidiaries. Its latest version was approved by the Board of Directors in December 2016. Mediaset Spain also implements its own Compliance Programme, which is analogous to the programme implemented in Italy. It also implements a whistleblowing mechanism allowing violations of the code to be anonymously reported.

### **COMPLIANCE WITH REGULATORY REQUIREMENTS**

As a supplier of audio-visual services and a radio broadcaster, the Group scrupulously observes Italian law in the pursuit of its business activities, including requirements of a regulatory and self-regulatory nature.

To prevent violations of applicable legislation, the Mediaset Group scrupulously ob-

serves the requirements on air time and the protection of minors in the advertising content carried in its radio and television broadcasts. The following requirements apply in regard to these issues:

- training of personnel responsible for programming, production and broadcasting;
- general oversight of programming activities, using a delegation system conferring the necessary powers on those responsible for content;
- advisory and supervisory action by the Legal Affairs Department and the Regulations and Corporate Compliance Department, both from a general perspective and addressing specific programmes or individual issues, with the purpose of identifying critical issues and taking the appropriate preventive action.

The Regulations and Corporate Compliance Department periodically publishes a manual summarizing the regulations governing the TV and radio programming activities of private Italian broadcasters.

The **manual** is designed for everyday use, and is also valuable as a guide for programmers to identify critical issues.

Programmers receive training on correct programming procedure in a series of meetings, including issues specifically connected with regulations on programming.

The Mediaset Group operates in an intensively-regulated sector, and its relations with regulatory bodies and industry associations are of primary importance. The Group defends its legitimate interests before local and international administrative powers.

To do so, Mediaset is a member of various industry associations created to promote the shared interests of commercial TV stations at national, EU and international levels:

- Anica Ass. Naz. Industrie cinematografiche
- Association of Commercial Television in Europe (ACT)
- Associazioni Produttori Televisivi
- BNE Broadcast Network Europe
- DVB Digital Video Broadcasting
- Confindustria Radio Televisioni
- FAPAV Fed. per la tutela dei contenuti televisivi
- Fedoweb
- HBBTV Association
- IAB Italia Interactive Advertising Bureau
- Istituto di Autodisciplina Pubblicitaria (IAP)
- Osservatorio Branded Entertainment (OBE)
- Unión de Televisiones Comerciales Asociadas (UTECA)
- Union Europea de Radiodifusores (UER)
- Observatorio de Contenidos Televisivos y Audiovisuales (OCTA)

## CONFLICTS OF INTEREST

The Code of Ethics of the Mediaset Group includes special provisions on conflicts of interest.<sup>11</sup> All recipients of the Code of Ethics must scrupulously observe the laws and regulations on conflicts of interest, especially with regard to the pursuit of their busi-

<sup>11</sup> Article 6 of the Code of Ethics of the Mediaset Group

The new Code of Ethics will be adopted by the Mediaset Group and its subsidiaries during 2019. Article 6 of the Code (Conflicts of interest) has been revised and consolidated: "1. The Mediaset Group requires subjects, in their relations with the Group, to strictly observe laws and regulations governing conflicts of interest. 2. In carrying out their work and/or their position or function, subjects must pursue the objectives and the general interests of the Mediaset Group and refrain from all activities, conduct and actions that are incompatible with the obligations deriving from their relationship with the Mediaset Group. By way of example only, the following may constitute conflicts of interest: (i) having economic or financial interests, also through family members, with suppliers, customers or competitors; (ii) using one's role in the Mediaset Group or information and data obtained in carrying out work activities and/or using one's position to one's own or others' benefit in contrast with the interests of the Group; (iii) carrying out work activities of any kind (including physical or intellectual work) for suppliers, customers, competitors and/or third parties, in contrast with the Group's interests; (iv) starting negotiations and/or reaching agreements - in the name and on behalf of the Group - with family members or partners as counterparties, or counterparties of which the subject is owner, or with whom the subject is, in any case, an interested party. 3. Subjects must inform without delay, taking account of the circumstances, their manager or, where applicable, the person to whom they report, as appropriate, situations or activities in which they may have - directly or through third parties - an interest (even potential) in conflict with those of the Mediaset Group. In this regard, subjects are required to respect any decisions taken by the Mediaset Group. These decisions are notified to Supervisory and Control Bodies, where established by individual parties, for these Bodies to take action as necessary"

ness activities and their own duties/functions. In pursuing the interests and general objectives of the Group, they must abstain from conduct and action incompatible with their obligations in connection with their relations with Mediaset.

Consequently, in the occurrence of situations or activities in which the recipients of the Code of Ethics may have interests (directly or via third parties) which are or could be in conflict with those of the Mediaset Group, these recipients must immediately inform their superiors or the designated bodies, i.e. supervisory and control bodies, where these exist, and to respect the decisions taken by the Mediaset Group in this regard.

Mediaset implements a "related parties procedure"<sup>12</sup> taking into account the dictates of the regulations containing provisions on the subject of related transactions adopted by Consob, the provisions of the Civil Code, and the recommendations of the Corporate Governance Code.

<sup>12</sup> The EI Towers Group implements its own "Related parties procedure".

The Mediaset Group is therefore committed to taking all measures necessary for avoiding situations which may present conflicts of interest.<sup>13</sup>

In particular, Mediaset has taken necessary measures to ensure compliance with regulations on the equal access of political subjects to television and radio, adopting principles of pluralism in information. This activity basically involves sending company memos to the editorial units of the company, including News Programme directors, which specifically refer to the need to comply with regulations on equal access of political subjects to television and to comply with rulings issued by the Authorities.

As regards inside information, on 13 November 2018, with the favourable opinion of the Control, Risk and Sustainability Committee, the Board approved the update to the Inside Information Procedure<sup>14</sup>, supplemented with

<sup>13</sup> The Group undertakes to guarantee, in all possible circumstances, compliance with the Law of 20 July 2004 no. 215 "Requirements on the resolution of conflicts of interest", and with Agcom ruling no. 417/04/CONS "Regulations on the resolution of conflicts of interest" (amended by ruling no. 392/05/CONS 682/11/CONS).

<sup>14</sup> The Holding carried out assessments, gap analysis and the mapping of significant information flows intended to identify any opportunities to improve the inside information management process. Analyses identified that the process to manage and disclose inside information is effectively monitored, correctly set out and

the process to manage Significant Information, in keeping with Consob Guidelines issued in October 2017, formalising practices already in use and already monitored by competent functions as regards Significant Information.

The Inside Information Procedure governs the internal management and disclosure to the public of inside information regarding the Holding and its subsidiaries, as well as the functioning of the "Insider List". The Inside Information Procedure is an essential component of the internal control and risk management system of Mediaset and forms part of the rules and regulations adopted by Mediaset pursuant to Legislative Decree 231/01 with the aim of preventing the commission of offences.

The Inside Information Procedure applies to directors, statutory auditors, employees of the Holding and its subsidiaries, as well as to external parties acting in the name and on behalf of the company and its subsidiaries - with the exception of the listed subsidiary **Mediaset España Comunicación S.A.**, re-

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formalised in a process/procedure that clearly identifies roles and responsibilities, in compliance with Regulation (EU) and the Consob Issuer Regulation.

quired to keep its own Insider List and to comply with related obligations and disclosures to the relevant market.

Via its regulatory compliance department, the **Mediaset Group in Spain** works to detect and monitor potential conflicts of interest between the company and its directors. This matter is regulated by the Code of Ethics and by the Group's internal code of conduct, which both provide mechanisms for identifying and resolving potential conflicts of interest, thereby preventing conduct liable to damage the company or its shareholders.

Under the regulations of the Board of Directors, related-party transactions between Mediaset España and its directors are subject to the authorisation of the Board of Directors.

To avoid potential conflicts of interest in the creation and dissemination of content, all content creation commissions are subject to the review, analysis and approval of the Group's Acquisitions Committee.

### 3.3 THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As an integral part of its Internal Controls and Risk Management System, the Mediaset Group has adopted a Risk Management model, both in Italy and in Spain, in order to be able to respond better to the risks to which it is structurally exposed. The Group has adopted the Enterprise Risk Management (ERM) methodology, already identified as the benchmark methodology in the Guidelines for the Internal Control and Risk Management System issued by the Board of Directors, with effect from 2008 and regularly updated by the Board of Directors. It was last updated at the meeting of 20 December 2016.

The ERM model identifies the following types of risk factors which may be important from a perspective of sustainability over the medium and long term:

1. External and industry sector risks, which are linked to the economic cycle, to the evolution of the intermediate and end markets of reference (consisting of the demand for the consumption of audiovisual content and entertainment and demand for advertising slots) and to the evolution of the competition and regulatory environment.
2. The risks connected with the strategic approaches and policies adopted and the management of the main “operational” processes linked to the management, also on a progressive basis (for example through partnerships and alliances) of the broadcasting, commercial, technical and infrastructure models used to coordinate and manage production inputs and strategic assets (managerial personnel, content and distribution network) employed in the core business of producing and broadcasting the television offering, also in relation to aspects of risk linked to the Company’s reputation and social responsibility;
3. Financial risks connected to the management of financing needs and interest and exchange rate fluctuations;
4. Risks connected to the management of legal disputes;
5. Risks related to environmental policies;
6. Risks connected to Corporate Governance.

The principal sources of risk and uncertainty in the ESG (Environmental, Social and Governance) spheres and of relevance to the Group are indicated below, together with a description of their nature and the management/mitigation measures implemented by management.

#### **Risks connected with reputation and relations with stakeholders**

One of the Mediaset Group’s key strategic objectives is the ability to maintain and increase content innovation and brand value perception over time in keeping with the development of its business model. In relation to this objective, there is a risk of establishing broadcasting and communications strategies and initiatives aimed at the financial market and the public that could have an adverse impact on the perception of the Mediaset brand. This risk is primarily monitored via constant supervision designed to ensure full oversight of certain processes, and in particular:

- programme scheduling, monitored through daily analysis of television viewer behaviour, both in terms of audience share and rating of broadcast programmes, and, consequently, of viewer perception of the editorial approach adopted by the networks, as well as through ongoing initiatives designed to ensure the protection and respect of minors and attention to issues of social responsibility;
- reporting processes to the financial market and to the public;
- production processes and their ability to generate high-quality innovative products.

#### **Risks connected to the management of human resources**

With regard to the risks associated with the management of human resources, the Group acknowledges the vital role played by human resources and the importance of cultivating transparent relations based on reciprocal loyalty and trust, and the application of the rules of conduct dictated by the Code of Ethics.

Management and cooperation in working relations is based on respect for the rights of employees and the full recognition of their contributions in a perspective of promoting their professional growth and development.

In particular, in a competitive context characterized by profound change driven by digital transformation processes, triggered by advances in technology which are significantly impacting the sectors in which the Group conducts its business (creation and distribution of video content, sale of advertising space), the Group is increasingly focussed on aspects such as recruiting, training and valuing human resources. Moreover, special emphasis is given on identifying talent and the need to create career development trajectories which strengthen know-how in areas of key importance to the Group, particularly technology and the conceiving and realization of editorial product, issue-specific training, the definition and development of career trajectories and the definition of incentives plans.

In pursuit of these objectives, the Group implements systems for evaluating annual performances based on a clear definition of

shared objectives which can be measured in numeric, financial and economic terms as well as individually and qualitatively.

To promote a positive corporate culture and climate, the Group constantly strives to improve internal communication flows via advanced, market-standard collaboration tools (new corporate website project, Office 365 and instant messaging services for all company employees), and also introduces innovative, flexible work solutions (smartworking).

#### **Risks related to the policy on partnerships and alliances**

Historically, the Group has pursued a strategy of external growth based on a policy centred on the establishment of highly targeted partnerships and alliances, with the objective of ensuring that the business integration and/or internationalization opportunities identified are consistent with objectives of financial return on the initial investment. These types of operation expose the Group to approval risks relating to authorizations, the implementation of business models and associated business plans, as well as the risk of changes in the political



and regulatory scenarios in industry sectors and/or geographical areas other than the usual ones, and deterioration of the know-how of the participants in partnerships and alliances, with resulting potential risk of loss in value of the investments made.

### Risks related to environmental policies

In Italy, exposure to electrical, magnetic and electromagnetic fields is governed by Italian Framework Law no. 36 of 2001 and Italian Presidential Decree of the Council of Ministers of 8/7/2003, which set limits on exposure of the population to electrical, magnetic and electromagnetic fields with a frequency ranging from between 100 kHz to 300 GHz.

The exposure limit is the value of the electrical, magnetic and electromagnetic field, regarded as the emission value, set to protect health against severe effects, which must not be exceeded under any condition of exposure of the population and workers.

The attention value is the value of the electrical, magnetic and electromagnetic field, regarded as the emission value, which must

not be exceeded in residential areas, schools and places of extended stay.

The quality goals are:

- location criteria, urban planning standards, requirements and incentives for the use of the best available technologies, as indicated in regional laws;
- the electrical, magnetic and electromagnetic field values, set by the government for the progressive mitigation of exposure to those fields.

Despite extensive concerns among the population linked to the effects of electromagnetic fields, the World Health Organization and the latest scientific literature have concluded that current evidence provides no proof of health damage resulting from exposure to weak electromagnetic fields. Therefore compliance with the exposure

limits recommended by domestic and international guidelines enable monitoring of the risks of exposure to electromagnetic fields which may be harmful to health.

Moreover, the limits under Italian regulations are up to 100 times lower than those set by the International Commission on Non Ionizing Radiation Protection (ICNIRP) and applied in the rest of Europe.

The critical factors for constructing transmission equipment and adhering to legal limits are:

- the need to emit high power levels;
- the difficulty of erecting tall towers for the installation of transmission antennas;
- the proximity of residential properties to transmitters or the issue by municipalities of new building permits for the con-

	<b>Intensity of electric field E (V/m)</b>	<b>Intensity of magnetic field H (A/m)</b>	<b>Power density D (W/m<sup>2</sup>)</b>
<b>Exposure limit</b>	<b>20</b>	<b>0.050</b>	<b>1.0</b>
<b>Warning threshold</b>	<b>6</b>	<b>0.016</b>	<b>0.1</b>
<b>Quality objective</b>	<b>6</b>	<b>0.016</b>	<b>0.1</b>



struction of residential units close to the plant;

- the presence on the same site of other broadcasters (particularly radio broadcasters), which can result in the limits being exceeded when emissions are aggregated.

Mediaset's installations are designed, developed and operated in compliance with Italian law. In accordance with the Group's operating practices, all necessary measures are taken, when designing new sites or modifying existing ones, to keep the electromagnetic field levels within the parameters set by the regulations. In particular:

- the construction of tall towers for transmission antennas in order to keep them as far as possible from areas accessible to the population;
- improved orientation of transmission antennas, to concentrate the signal on the area to be served and use less power minimizing the electromagnetic radiation detectable at ground level (areas accessible to the population);

- identification, where possible, of installation sites far from residential areas;
- submission of the project for prior assessment and authorization by local authorities and regional environmental protection agencies, as required by the Code of Electronic Communications (Italian Legislative Decree 259/03).

In addition, specific company functions are responsible for mapping installations with a risk of exceeding the electromagnetic field limits and establishing monitoring plans as well as, where necessary, the use of internal and external resources (certified external advisors).

#### **Risks connected to Corporate Governance**

The typical corporate governance-related risks, such as the risk of non-compliance with laws and regulations, improper assignment of powers and authorities, or inappropriate remuneration policies, are mitigated through the implementation of a robust Corporate Governance system. Since 2000, Mediaset has adopted the provisions of the Corporate Governance Code for Listed Companies and, over the years, it has con-

tinued to bringing its own Corporate Governance system into line with applicable domestic and international best practices, the recommendations of the Corporate Governance Code of the Italian Stock Exchange and applicable regulatory provisions.

Using the same risk management model, the **Mediaset Group in Spain** implements an assessment process designed to identify risks in its own industrial context. Every year, the Board of Directors of Mediaset España assesses the risks the Mediaset Group in Spain is exposed to, and evaluates the internal control systems implemented, identifying possible areas for improvement. In particular, the Internal Audit and Compliance functions evaluate the specific risks to which the Mediaset Group in Spain is exposed, assessing the likelihood of occurrence and magnitude of impact and directly involving the various corporate functions in the evaluation process. The Risk Committee, whose members are the managing directors of companies belonging to the Mediaset Group in Spain, is responsible for managing executive risk management functions in everyday business activities.

### 3.4 DATA PROTECTION AND PRIVACY

The protection of privacy and the data and information pertaining to clients and subscribers is one of the principal concerns of the Mediaset Group.

The Group has prepared a special set of Guidelines on Information Security Policy, management of personal data and the protection of data. These activities observe the following principles:

- compliance with national and international legal requirements, with particular reference to Legislative Decree 231/2001, Law 262/2005 on the protection of savings and financial markets regulations, and the European Regulation (EU) 2016/679 on the processing of personal data.
- safeguards on adequate measures of protection of data against threats, including cybersecurity; these measures are identified in accordance with the level of risk associated with the loss of confidentiality, integrity and availability of in-

formation. This protection must also be guaranteed in regard to relations with third parties.

- protection of data against unauthorized access, while ensuring accessibility for legitimate purposes, with a suitable degree of traceability.

A cyber risk assessment process has also been implemented, and has recently identified the principal areas of IT risk for the Mediaset Group as well as the measures best suited to resisting threats and mitigating residual risk.

Among the most important initiatives undertaken is the future creation of a Security Operation Centre (SOC). The duties of the SOC will include an early warning mechanism which analyses the correlation between accesses to information systems and the respective alarms so that security can be managed preventively, identifying vulnerabilities in network components and tracing anomalous or dangerous activity (unauthorized operation of the network, access to systems, spreading of virus, general attacks).

On 25 May 2018, Regulation (EU) 2016/679 (the GDPR Regulation) on the protection of natural persons with regard to the processing of personal data and on the free movement of such data takes effect. The Mediaset Group took action to define "an organisational and privacy management model", to implement the rules established by the European Union with a multidisciplinary approach combining legal, organisational and technological aspects. Main activities in 2018 include the appointment of the Data Protection Officer and implementation of and updates to processing records. Specific guidelines were also prepared for the Privacy Organisational Model and Data Protection Officer, and an Operating Instruction to manage data breaches was also issued.

The **Mediaset Group in Spain** is scrupulously implementing the protection of personal data and content in the sphere of corporate management. The primary instrument of implementation is the Code of Ethics, which addresses aspects relating to cybersecurity, data protection and confidentiality. Using the Code of Ethics as their guide, the data protection unit, the Internal Auditing Department and the technology division will develop other mechanisms determining the

company's conduct in regard to data security.

The Group also implements a corporate security policy which imposes procedures and regulations for the processing of personal data and confidentiality within the organization. These procedures regulate access to and the processing of personal data in all departments, areas and management units of companies belonging to the Group, while also defining the security measures to be applied during the compilation of personal data to ensure the confidentiality of the latter.

The Group has also implemented a series of operating procedures for managing initiatives requiring the use of personal data: identification and authentication, remote access, access to applications and use of personal data files. These procedures are regularly updated to ensure their compliance with applicable legislation.

In 2016, the Group underwent a conformity analysis in light of the General Data Protection Regulations on the protection of natural persons with regard to the processing of personal data and on the free movement of

such data, which became effective on 25 May 2018.

This analysis revealed the need for more work to bring the current management model up to standard and for the introduction of specific measures of a technical, organizational and legal nature.

In the 2016, this includes the development of the procedure for the management of cloud-based procurement services, which involves the creation of a special organizational unit dedicated to this area (data development department).

With regard to relations between company and citizens in terms of data protection, the **Mediaset Group in Spain** has defined and implemented an action protocol for guaranteeing the exercise of the rights of access, modification, cancellation and objection.

This protocol describes in detail the areas affected by such rights, the channels through which users can exercise them, the procedure for replying to requests, special cases for the exercise of rights, and notification of users of the successful outcome of their requests.

The Technology Division is in charge of coordinating and managing the technical aspects of information system security, following the corporate security policy and the internal action procedures, which apply to all employees and managers.

As part of this policy, and as a method for guaranteeing control over access to corporate applications and services, a set of guidelines addressing specific topics such as "Procedure for controlling access to applications" and "Procedure for managing technological media" has been prepared. The latter procedure defines the cases in which corporate data must be encrypted.

A procedure has also been developed for establishing mechanisms for managing and sending sensitive corporate data. A project for implementing an instrument for the management of access and information rights was developed in 2018 as a technological foundation for the procedure. This solution involves the application of security rules and policies and the monitoring of the distribution of corporate data.

The purpose of information system security management is to ensure the availability, integrity and confidentiality of corporate data, to control access to it, and to ensure the data is adequately protected in conformity with all laws, standards and regulations on data protection.

As regards data protection, Mediaset España took part in Cyber Crisis Management exercises and Multisector Cybersecurity Exercises during 2018, organised by ISMS Forum Spain and by the National Department for Security.

Mediaset España constantly monitors its mission-critical information systems via periodic reviews and audits. Monitoring of the systems considered to be most vulnerable also covers the activities of users.

Mediaset España has centralised the management of data protection with its "*Personal data protection unit*". This unit directly reports to the Group's senior management and is responsible for protecting data for all Group companies. The unit is run by the Data Protection Officer, who is responsible for liaison with the data protection authority,

and for legal advice, internal control and IT security.

During 2018, the personal data policy was updated, as well as relative internal procedures, in order to bring them in line with requirements of the GDPR.

These reference documents establish the guidelines for an optimal, responsible management of privacy and data protection, as well as corrective actions to take in the case of an infringement of personal data processing by the Mediaset Group.

In 2018, a training plan was prepared for employees, to inform them of changes introduced by the GDPR on data protection and processing, and on new rules concerning cybersecurity. This plan was for 984 participants, including executives, middle managers and office staff, who attended training sessions on privacy and the use of information systems.

During 2018, 262 requests to exercise rights to access, rectify, erase or oppose the processing of data were received from data subjects, relative to the cancellation of users registered with the Group's digital channels

and the elimination of advertising images on websites.

### 3.5 RELATIONS WITH THE PUBLIC ADMINISTRATION

When carrying out its business - one well-established throughout the entire Italian territory - the Mediaset Group in Italy entertains relationships with a great many private and public parties.

Precisely in the relations with the aforementioned parties the group has added an ad hoc article to its Code Of Ethics (also see paragraphs 1.3 and 3.2) in order to govern related activities.<sup>15</sup>

In addition to prohibiting any illicit conduct that may involve the Group in its relations with public bodies, the Code of Ethics also covers the activities that see the Group involved in partnerships with public institutions.

In this case, the Group may support programmes of public institutions or bodies

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<sup>15</sup> Article 21 "Relations with Public Institutions" requires the Mediaset Group to maintain a collaborative and transparent relationship with the national, community and international public institutions to facilitate dialogue on topics of specific interest. The relations must be maintained fully in compliance with the current regulations, the principles in the Code of Ethics and the corporate procedures, on the basis of the general criteria of propriety, transparency and loyalty.

aimed at creating public benefit as well as projects of foundations and associations. These activities must be performed in full compliance with the applicable regulations, the principles set out in the Code of Ethics and the corporate procedures.

In this area, Mediaset Group is proactive through the company RTI, participating in European projects financed by the European Commission which include collaborations with international partner companies.

In particular, during 2018, RTI S.p.A. took part in the "MPAT Project<sup>16</sup>" (for the development of new HbbTv applications<sup>17</sup>), obtaining funding, equal to EUR 40,8 million and the "PRODUCER Project", receiving funding of EUR 198,4 million. The three-year "Hyper360" project, for a funded value of EUR 3.7 million is still underway.

The project has two goals: 1. Optimising the entire production chain (Filming, Production, Delivery, Use); 2. Developing innovative functions with "profiled advertising" added

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<sup>16</sup> Multi-platform application toolkit

<sup>17</sup> Hybrid broadcast broadband Tv

to videos and user guides to select points of view.

On December 22, 2017, the Mediaset Group adopted ad hoc Organisational Guidelines that govern the attainment and management of financial assistance issued by European public institutions to back the development of research and innovation projects (for example on the topic of emerging or future technologies, saving the environment, etc.).

Through the company **Medusa**, the Mediaset Group also works in the cinema industry, receiving financial assistance from public bodies, mainly national, and the rest from European bodies.

The primary and most important source of funding is obtained by Medusa in its capacity as producer. Thanks to its title, the company was able to apply to obtain percentage contributions on the general national box office revenue admitted to "legal benefits". Therefore, up until 31/12/2016 contributions were automatically calculated as a percentage of the revenue measured by the SIAE in the first 18 months after the first public projection.

Law no. 220 of 14 November 2016, on “cinema and the audiovisual sector) introduced new means of support cinema and the audiovisual sector, repealing, as from 1 January 2017, the system of incentives established and regulated by Legislative Decree no. 28 of 22 January 2004, as amended.

These new types of support still include automatic grants for the production and distribution of films, but their amount will be calculated based on economic, cultural and artistic results, and the national and international public distribution of the film. Therefore, films produced by Medusa and distributed at cinemas in 2017 and 2018 (only 1 film) come under the new regulations, whereby the formal procedure to make applications to the Ministry for Culture has just started.

Another source of financial assistance is bound up with Medusa’s business itself, i.e. the distribution of films in cinemas and their advertising. In this regard, the Ministry for Cultural Assets and Tourism offers tax credits applying variable percentages to costs incurred.

A remaining amount of financial assistance comes from European bodies with participation in the “Automatic Support Distribution Media Programme”, conceived to promote investment in European film distribution in territories other than that of the distributor. Medusa’s almost exclusive focus on Italian cinema makes this opportunity not very significant.

The Company Medset, a Group company operating in cinema productions in France, obtained a tax credit for film productions equal to EUR 796 thousand during 2018.

Financial assistance received from government [*]	Public body	€ millions	
		2018	2017
	Ministry for Culture and Tourism - Cinema Department	10.6	5.8
Public contributions (collection of government contributions)	Instituto de la cinematografía y de las artes audiovisuales[**]	0.3	0.6
	Direction Générale des Finances Publiques	0.8	
Tax relief (Answer 1 <sup>^</sup> tax credit for distribution)	MIBACT	2.7	0.7
Local network contribution	MISE	0.3	
Other public contribution	European Commission	0.2	
Assistance received from non-government bodies[***]			0.01
<b>Total</b>		<b>14.9</b>	<b>7.1</b>

[\*] Data reflect cashed-in amounts during the period

[\*\*] Subsidies received from Telecinco Cinema as assistance for amortization of film and feature productions.

[\*\*\*] Subsidies received from Fondazione Biodiversidad for promotion of environmental information.

The company **Publitalia'80**, despite not having benefited from any public contributions, decided to implement certain organisational guidelines in order to avoid offences under Legislative Decree 231/2001 as amended.

One thing that stands out in the scope of the ordinary relations with the public administration is the constant effort to combat piracy and the defence of the content broadcast by Mediaset Premium thanks to the col-

laboration of the Security Management Department and Mediaset's legal structures with AGCOM and law enforcement bodies (Postal Police and Finance Police).

**Mediaset Group in Spain**, through its public institutional relations, promotes and guarantees the representation of its legitimate interests before public authorities in general, and specifically, before both national and European parliaments and governments.

These activities are governed by provisions in the Code of Ethics of Mediaset España and aim to ensure that the legitimate interests of Mediaset España are represented before the public authorities.

Membership of main media associations, including:

- l'Unione delle televisioni commerciali associate (UTECA);
- l'Associazione della televisione commerciale in Europa (ACT);
- l'Unión Europea de Radiodifusores (UER);



- l'Observatorio de Contenidos Televisivos y Audiovisuales (OCTA);
- Il Comité de Autorregulación sobre contenidos televisivos e infancia;
- la Federación de Asociaciones de Consumidores y
- l'Usuarios de los Medios (ICMEDIA);
- l'Asociación de Usuarios de la Comunicación (AUC)

enables the company to safeguard and represent the common interests of commercial TV organisations at national, European and international level.

Thanks to its membership of the Audit and Control of Information Systems Association (ISACA), Mediaset Spain is directly involved internationally in the development of standards, methods and certification for the audit and control of information systems.

Throughout the year, Mediaset in Spain backed the following national and international projects, interacting with public bodies and institutions:

- Application of the General Law on Audiovisual Communication and its regulatory development, with particular emphasis on strengthening the protection of minors and proper implementation of the provisions applicable to TV commercials;
- In the field of self-governance, application of a new “system of classification by age range in relation to the use of audiovisual products” (signed by the free-to-air TV operators in 2015 under the supervision of CNMC)<sup>18</sup>.

This rating system was launched with the aim to establish a more objective and systematic picture for classifying content, and as a tool that provides information to guardians, the children themselves and society on the whole, on potentially harmful content that a certain audio-visual programme can show;

- Application of the rules on gambling and responsible implementation of new online gambling games. Mediaset Spain is on the Board Of Directors of the Responsible Gambling Advisory, formed by the Office for the Regulation of Gambling

and by the Code of Conduct Monitoring Committee on business communication for gambling.

## ANTICORRUPTION AND UNFAIR COMPETITION

The topic of active and passive corruption is first and foremost overseen within the scope of the Code of Ethics of the Mediaset Group through specific provisions that define general principles on the topic.<sup>19</sup>

Furthermore, considering the constant strengthening of the fight against public and private corruption, both internationally and in view of Italian legislators' particular focus on combating corruptive practices, the Me-

<sup>19</sup> The Group's Code of Ethics has been adopted by all the companies of the Group with the exception of El Towers Group and Mediaset Group in Spain, both of which have issued their own Code of Ethics based on the one adopted by the holding. The Code of Ethics, paragraph III (Business Conduct), Article 17 (Business Relationships), Article 19 (Relationships with Family Members), Article 20 (Relationships with Customers), and Article 21 (Relations with Public Institutions).

The new Code of Ethics will be adopted during 2019 by Mediaset S.p.A and its subsidiaries. It will include a new, specific article on preventing corruption, with the aim of setting out a systematic reference framework on the prohibition of corruption for Mediaset Group companies. In particular, a summary of ethics and rules of conduct will be provided, which recipients must observe in order to comply with applicable legislation.

<sup>18</sup> Comisión Nacional de los Mercados y la Competencia



diasset Group has decided to align itself with industry best practices to combat corruption, adopting a group policy in Italy called “General Anticorruption Guidelines” which is included in the Compliance Programmes pursuant to Legislative Decree 231 of the companies that have them.

This policy offers a systematic framework of reference on the topic of prohibition of corrupt practices for Mediaset group companies, providing a summary of the ethical and conduct rules that must be strictly adhered to in order to keep illegitimate or incorrect conduct from occurring, and to follow the provisions set forth by the current regulations in the area of anticorruption as well as the principles and values in the Ethics Compliance Programmes pursuant to Legislative Decree 231 and corporate procedures currently in effect.

In this policy, the Mediaset Group companies deplore and condemn any and all corrupt behaviour or activity including, without limitation, illegitimate favouritism, collusion, solicitations – made directly and/or through third parties – for personal benefits of any kind for themselves or for others.

Moreover, it is required that any party acting in the name or on behalf of Mediaset Group companies in business relationships with public or private entities must always and in all circumstances behave in an ethical manner according to the law and in full compliance with the aforementioned principles.

Based on the results of the activities designed to identify risks within Mediaset Group companies, this policy identifies the main areas of remotely relevant activities identified as being “at risk”, with specific reference to the possible commission of crimes of public and private corruption. In the main areas (for example management of relations with public bodies and institutions, the purchase of goods and services, management of gifts, entertainment expenses, sponsorships and donations, selection and hiring of personnel, etc.), in the sphere where it is best to pay special attention to issues concerning corporate compliance, specifically as far as prevention and fighting corrupt practices. Regarding these areas identified as being “at risk”, each Mediaset Group Company has set designated controls (general and specific), adopting, when necessary, Organisational Company Guidelines (“OGL”) which govern the processes in

which corrupt practices may occur (both in relations with the public administration and among private parties).

As already highlighted above, the Internal Auditing Department periodically performs a risk assessment activity to identify the areas of “at-risk” activity, also for corruptive public and private episodes, suggesting specific internal audit controls. Based on the instructions received, the Ethics Compliance Programmes pursuant to Legislative Decree 231 are drawn up or updated and the specific Organisational Guidelines are rewritten or updated.

A risk analysis activity was performed during the reporting period concerning both the type of crime regarding relations with the public administration and corruption among private parties.

Moreover, regarding the topic of competition, the group Code of Ethics (See also par.1.3 e 3.2) contains a specific provision<sup>20</sup>

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<sup>20</sup> The Group's Code of Ethics has been adopted by all the companies of the Group with the exception of El Towers Group and Mediaset Group in Spain, both of which have issued their own Code of Ethics based on the one adopted by the holding. Code of Ethics Article 18

The New Code of Ethics, that will be adopted by Mediaset S.p.A. and its subsidiaries during 2019, includes a specific provision on

which states that Mediaset Group recognize that correct, free and loyal competition may constitute a decisive factor for market growth as well as constant improvement of the business.

This is why the group abstains from behaviour that encourages deals which are in violation of current regulations.

Lastly, the foreign company **Publieurope** has also adopted an “anticorruption policy” in order to prevent any corrupt practices. The document is posted on the Publieurope website. The main contracts make explicit reference to following both the Code of Ethics of Group and the “Bribery Act” (which addresses policy on corruption). The figure of the Compliance Officer has also been instated as the individual responsible for the corruption prevention system. Publieurope underwent a risk assessment conducted by the Group INTERNAL Auditing Department.

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competition. Article 20 (Safeguarding competition): “The Mediaset Group recognises that fair, free and loyal competition is a decisive factor for market growth and the continual improvement of a business, and therefore refrains from a conduct intended to finalise business deals to its benefit that infringe laws. The Mediaset Group promotes training in order to disseminate a knowledge of laws and regulations on competition, to ensure compliance”.

The Code of Ethics adopted by the Spanish companies of **Mediaset Group in Spain** establishes procedures that govern the instances concerning the receipt of gifts in kind or in cash from customers in order to block any possible corruption attempt.

Every year, the audit function performs risk analyses linked to corruption within the most important business lines of the Group. These activities are an integral part of the Annual Audit Plan. In this regard, during 2017 and 2018 all corporate structures of the Group were reviewed. Specifically, the Internal Audit function performed a number of audits on the most significant processes, with no critical findings. In 2018, as in 2017, there were no episodes of corruption that involved Mediaset Spain, and therefore it was not necessary to undertake any action in this regard. Furthermore, no legal proceedings were filed for causes related to monopoly practices or contrary to free competition.



#### **4 ■ Effectiveness and sustainability of the broadcasting and commercial offering**



## 4.1 QUALITY OF THE PRODUCT AND SERVICE

### FREE TV

#### Entertainment

The Mediaset Group's free-to-air offering currently consists of 14 channels covering all major targets for advertisers, including three long-standing general interest channels (Canale 5, Italia 1 and Rete 4), and the thematic and semi-generalist channels Boing, Cartoonito, Iris, La5, Mediaset Extra, Mediaset Italia 2, Top Crime, Canale 20, Tgcom24, Focus and R101TV.

The three main channels of the Group have

always been:

- **Canale 5**, the Group's main general interest channel and targeted at the modern Italian family. It is a channel for TV viewers between 15 and 64 years of age, with programming covering all the main television genres from entertainment to fiction to news.
- **Italia 1**, the leading Italian channel among younger viewers, with particular emphasis on sports and emerging trends. It is a channel about innovation where the most innovative programmes are aired.
- **Retequattro**, with a schedule for a more mature audience.

During 2018, Rete4 acquired a new look during two important slots: pre-evening

and prime time.

The new version of Rete 4 offers a fresh take on news and current affairs programmes, which are closer to public tastes, able to depict the most important facts and events of the moment, with a modern language for network and Mediaset viewers.

The network graphics have also been restyled, in line with the entire change of the network.

The Mediaset Group in Italy has managed to attract audiences from every age group and social class, thanks to its television programme scheduling and selection of programmes capable of meeting all of the TV viewers' demands.

The broadcasting strategies that have led to the success of Mediaset channels in Italy through the dissemination of products and content that the users like are the responsibility of the Programme Schedule and Distribution General Management in association with Content General Management.

These two functions together with the TV Committee approve the projects.

AUDIENCE SHARES (medium figures) ITALY 2018	INDIVIDUAL			COMMERCIAL TARGET		
	24 hours	Prime Time	Day Time	24 hours	Prime Time	Day Time
Canale 5	15.6%	15.6%	15.8%	16.1%	17.2%	16.1%
Italia 1	5.0%	5.7%	4.9%	6.9%	7.3%	6.9%
Retequattro	3.8%	4.1%	3.8%	2.9%	3.0%	2.9%
<b>TOTAL GENERALISTIC CHANNELS</b>	<b>24.4%</b>	<b>25.4%</b>	<b>24.5%</b>	<b>25.9%</b>	<b>27.5%</b>	<b>25.9%</b>
<b>TOTAL SEMI-GENERALISTIC CHANNELS AND PREMIUM CALCIO</b>	<b>7.0%</b>	<b>6.9%</b>	<b>6.8%</b>	<b>7.6%</b>	<b>7.3%</b>	<b>7.5%</b>
<b>TOTAL MEDIASET ITALY</b>	<b>31.4%</b>	<b>32.3%</b>	<b>31.3%</b>	<b>33.5%</b>	<b>34.8%</b>	<b>33.4%</b>

Once the broadcasting lines on which to build the entertainment of Mediaset channels in Italy have been decided, the relevant Product Area - in this case, the Entertainment Department - proceeds to the selection of projects of interest through an analysis of the market of reference and monitoring to make sure they are in keeping with the broadcasting lines in the codified regulations "Manual of Audiovisual and Radiophonic Services".

This manual guides the dissemination of content following the rules for programming, protection of minors, business communication, equal treatment, privacy and radiophonic regulations.

At the same time, both qualitative (broadcasting characteristics such as type of programme, positioning on the programme schedule, listener target and cast of artists) and quantitative (for example: duration, hours of product, hourly/total cost, etc.) television product guidelines and objectives.

The Entertainment Department guarantees that the product is always in line with the values the group wishes to convey and which are included in its Code of Ethics.

Lastly, constant sharing of the project and shared selection of programming make sure that broadcast content meets the quality expectations of TV viewers.

To further demonstrate the quality of the entertainment product, some examples are programmes like "Striscia la Notizia", "le Iene" and "Forum" which, still with the objective of entertaining their audience, at the same time address social and contemporary topics.

### ***Television series and films***

Mediaset Group broadcasts TV series that appeal to all audiences. When it selects TV series the group adheres to the broadcasting guidelines set and shared with the company's top management, in addition to identifying products that have the potential to reach the established target audience.

When selecting products, the TV series function evaluates the products together with the content department and company top management working closely with product marketing in an attempt to find stories that continue to interest Mediaset's his-

toric audience and at the same time try to broaden its user base.

Specifically, the TV series function chooses and develops stories that celebrate the principles and positive values of the company today and the consequently also reflect those of the Group, never opposing them and thus guaranteeing a product that all audiences can enjoy.

The considerations on the choice of product also take into account the option to have content not suitable for an audience of minors; in this case, one opts for a shared choice with the channel that must broadcast the product.

Mediaset Group's TV series function in Italy constantly strives to improve the quality of content, broadening the selection of its suppliers and turning to an ever larger number of external production companies, not to mention various screenwriters.

This opening toward the market has led the Group to receive and assess about 400 original projects each year, a number that is considered sufficient to fully satisfy Mediaset's needs.

Mediaset Group also possesses the know-how and the organisation for selecting projects and developing the production of popular drama series. These products are commissioned from major national partners and, in some cases, are sold abroad or leveraged via the web channel, thus contributing to covering production costs.

Through the subsidiaries Medusa, Taodue and Medset, the Group ensures the production and distribution of films and TV series, in the field of entertainment.

For the creative line of Taodue and Medset, this is conceived by the Chief Executive Officer, which by continuously comparing notes with Mediaset Group broadcasting line managers, guarantees the alignment of content creation activities with the values and policies set by the organisation itself.

Likewise, the alignment of Mediaset Group's ethical principles and the quality of content are guaranteed through the Chief Executive Officer of Taodue and Medset, and Mediaset Group broadcasting line managers' constant monitoring of the production and creation of artistic content. This process has not been made official, but is used both for

products created in-company and externally.

Ethical principles and the quality of content are guaranteed through continual monitoring of production and artistic content, by Company Management and managers of the editorial line of the Mediaset Group. This process has not been made official, and is used both for products created in-company and externally.

The distribution of films produced by Medset is managed by a third-party company, based on distribution agreements that comply with applicable laws (e.g on censorship).

**Medusa Film** is in charge of the distribution of (mainly Italian) cinematographic works. The company produces and purchases films exploiting the entire life cycle of the product: from the programming in cinema releases to the sale of television rights in all their various forms.

Medusa's line-up, constantly agreed upon with Mediaset Group in order to meet programming requirements, focuses on the Italian product in the "comedy" genre. With actors and directors like Paolo Genovese and

Checco Zalone- who in the past few years have helped to redefine the contemporary concept of Italian comedy - demonstrates the extreme emphasis on a type of film that has always shaped the history of our cinema.

Medusa has a genuine mission for Italian cinema that means a guarantee in the selection, production and dissemination of the best product all at once, in an attempt to enhance the local artistic and professional excellence. In order to face up to the competition of foreign products, this commitment must always be ensured at top industry standards.

As confirmation of this approach, figures show that in a tough year for domestic cinema, on a market where 19 Italian films had box office takings of more than EUR 2 million, 6 of these were produced by Medusa, including the third ranking film for takings "Amici come prima" - which sealed the "reunion" of the Italian film pair par excellence Massimo Boldi and Cristian De Sica (EUR 6.9 million takings in 2018).

Medusa's role and results therefore are highly significant: again underscoring the correct



strategic positioning of the company, which has always been a landmark in this nation's cinema.

### **News and Sport**

In 2018, News and Sport on Mediaset networks and multimedia platforms developed and consolidated the integrated system model.

The system configuration is based on several fronts.

The first of these is the three national news networks: Tg5, Tg4, Studio Aperto and Sport Mediaset; each of which has specific characteristics and is geared towards a certain type of public.

- *Tg5* is characterised by its leading position, completeness and impartiality in its way of making news across the board;
- *Studio Aperto*, a news network for young people, agile and brief which emphasises crime stories and current events;
- *Tg4*, with a complete restyling for the evening news, as from September 2018,

focussing on typical Rete 4 viewers (mature audience).

Sport Mediaset is a specialist programme/publication featuring sports events and articles, set up in August 2018, following the termination of Premium Sport.

The three journalistic publications all reference the News Mediaset agency for supply of content. Founded in March 2010, the agency guarantees uniformity and completeness of the information.

Another pillar of the information structure of the Mediaset networks are the infotainment and more in-depth journalistic productions put together by the Videonews publication. In this case too the content is provided by the News Mediaset agency. The main infotainment productions and news programmes produced in 2018 are listed below:

- daytime programmes on Canale 5, with *Mattino 5*, *Pomeriggio 5*, *Verissimo* and *Domenica Live* - all leading programmes for their commercial target audience in their categories.
- Rete 4 prime time, the new strategic challenge for Group Information with 4

new programmes, to give the network a new identity: "*Quarta repubblica*", "*CR4 - La repubblica delle donne*", "*W L'italia oggi e domani*" and "*Freedom*", in addition to the long-standing, successful programme "*Quarto grado*".

- late evening slots, with Matrix on Canale 5 and the production partnerships *Supercinema*, *X-style*, *#Hype* and *Confessione Reporter* on Rete 4;
- The daytime slot of Rete 4, with the daily programme *Fuori dal Coro*, and *Dalla parte degli animali*, which is aired at weekends.

During 2018, Mediaset News mainly focussed on product quality and improving internal customer satisfaction. It produced nearly 35,000 items of content for television, in addition to 929 breaking news items for generalist TV and free thematic channels. The volume of multimedia content is also significant: around 13,046 videos and approximately 8,452 photogalleries were put on new media platforms.

A significant presence in multimedia content, through the Mediaset brand *Meteo.it*: the first Italian multimedia system which is



entirely free of charge, dedicated to TV, web, mobile and radio weather forecasts.

*Meteo.it* is a qualified, influential programme in the national scientific sector, with a team of specialists, journalists and weather experts, with over 10 million users that follow the Mediaset brand's forecasts each day on a number of multimedia platforms.

The service offers 25 different daily TV productions, 365 days a year, to meet every need of Mediaset's various TV channels, for a total of approximately 9,200 annual productions.

In particular, over 200 special live programmes were produced in 2018 reporting on exceptional weather events and providing a useful public service:

- approximately 8 million<sup>21</sup> viewers (different people, unique contacts) receive TV information each day from meteo.it;
- radio editions, broadcast every day by Mediaset radio stations and other national and regional stations;

21: cumulative data on coverage obtained from meteo.it broadcasts on Mediaset channels

- digital traffic<sup>22</sup> for meteo.it on the web and on mobile channels in 2018 totalled 314,000 unique users each day, with 715,000 pages visited daily, for a total of 37 million unique web or app users<sup>23</sup>;
- as regards social traffic, there are over 1,300,000 active fans, up on the figure for the previous year;
- unique users of the Chatbot service totalled 375,485<sup>24</sup>.

As regards sports information on generalist and free-to-view thematic channels, the Sports Production Department, which is now part of the General Information Department, produced 1,292 hours of news and features, including coverage of the 2018 World Cup.

For the first time ever in Italy, Mediaset broadcast live and free of charge all 64 games of the 2018 World Cup in June and July. The event was a huge success for Mediaset on an editorial level and in terms of viewers.

22: daily average on a monthly basis - data source: Audiweb -

23: data source: Webtrekk

24: data source: Analytics Facebook

Besides football, considerable content was produced for motor racing: 2018 was the first year that E - Eprix Formula races were broadcast (a 10% share was registered during the Rome Eprix); a features programme was created, and programmes were broadcast on Superbike racing, and the programme Magazine Drive Up, produced in association with Quattroruote, was aired.

The all news TGCOM24 system was also broadcast, featuring various viewing solutions: TV network, breaking news on generalist and free-to-view thematic channels, on radios of the RadioMediaset circuit and main national private radios, on the TGCOM24.it site, smartphone apps and tablets and official profiles on social networks (Facebook, Twitter and Instagram).

The Group assures the quality of the information spread through its general interest and non-general interest channels, since on its own it produces about 90% of the news product disseminated and broadcast live.

The genuineness and quality of the content is guaranteed by the immediacy and contemporariness of the news itself, thanks to the live broadcast of the content for the All-

News (programming exclusively for the broadcast of the news) and the news channels, but also for the world of infotainment. These products also fall under the Videonews newsdesk.

This structure of the Information Area allows for a continual and necessary care in the research and development of a news story. This is guaranteed by verification of reliable and true sources while constantly keeping an eye on contemporary events, all this in order to guarantee the audience a useful and up-to-date service.

The creation of the services follows all the regulations in the area of occupational health and safety. This is foreseen first and foremost to guarantee the safety of all employees and collaborators of Media set Group, and in the specific case of area news, to ensure current, true and complete information.

Specifically, the field reporters in war zones or areas of high risk are guaranteed modulated integrative coverage based on the specific characteristics of the mission. These needs are monitored through a constant dialogue with the public institutions set in

place in different countries (or bodies associated to them) that may channel and provide the information needed to fully guarantee the safety of the field reporters.

By striving for an objective and effective debate on the arguments addressed in the different television programmes, there is an attempt to develop a settlement that may be representative of freedom of expression (in any case guaranteed by the professionalism of the Editors of publications, who have a trust relationship with the Broadcaster), of the plurality of voices and the completeness of the news. To pursue these objectives and improve the qualitative performance of the products, it turned out fundamental to implement a convergence between television and the different online media.

From the standpoint of optimising the Group's news product, over the course of 2016 the project that had begun in 2015 to digitalise the TG5 newsroom, and the reports linked to it, was completed. Technology based on the DALET GALAXY platform was introduced to share, manage and air all of the content produced by the newsroom in file format, eliminating tape cassettes. Digital newsroom thus allows a better, faster

and cheaper way to use all the materials that are made directly or found online.

During 2018, the first step was taken in the project to implement broadcasting rights of acquired images in DALET systems (in Rome and Milan).

In the European parliament in Strasbourg, a fixed Videobox with IP technology was installed for the first time ever during 2018. In Brussels, the Videobox of our correspondent office, with a dual set for audio/visual connections, was optimised. In the last quarter of 2018, the project to digitalise Videonews productions, including *Mattino5*, *Pomeriggio5*, *DomenicaLive* and *Fuori dal Coro*, started. The project will be completed during 2019.

To allow its services to be used, the Mediaset Group monitors and makes an effort to ensure that every single one of its viewers is placed in the optimal condition to be able to receive the news and keep informed of what is going on in the world. Specifically, TG5, in its main addition at 8 PM provides a subtitling service for the hearing impaired in order to make accessing the content easier.

Plus, some programmes like Quarto Grado, Mattino 5 or Pomeriggio 5 perform an ongoing support activity for social and awareness campaigns (for example, against the abuse of women or against frauds on society's weaker categories like the elderly or the disabled). In particular, the show Quarto Grado is capable of channelling important and necessary messages for the development of legal investigations. All these activities have led to proactive notice of the audience, at the same time demonstrating a broad consensus and a growing awareness on these topics.

## **Radio**

The Mediaset Group has recently developed its own commercial radio segment, with the acquisition of Radio Monte Carlo during 2018. This segment comprises: R101, Radio 105, Virgin Radio Italy and Radio Subasio

Each of these radios is characterised by its own line-up expressed through radio programs/formats (for example radio of young target programmes -Radio105-; "flow"radio - R101-, "vertical" radio - Virgin Radio); "elite" radio, with a high profile target -Radio Mon-

te Carlo; "familiar" radio with distinctive features typical of Italian tradition - Radio Subasio).

In the scope of this line-up maximum independence and plurality of expression is guaranteed following the industry regulations (Radio Television Consolidated Act) and the current company guidelines that require daily monitoring of the activity carried out by the artistic resources (radio speakers and guests), the topics addressed in the relative sources not to mention the advertising content aired.

Media set Group undertakes to maximize enjoyment of the radio product with a widespread dissemination both in geographical and target audience terms, also through systematic maintenance and enhancement activity on the radio broadcast networks, particularly safeguarding minors by working on the language used on air and following the Radio Television Consolidated Act and the Group Code of Ethics.

Also to guarantee maximum enjoyment and access for today's listeners and with the objective to acquire new ones, not to mention to maximise the benefits arising from using

advertising, the radiophonic department undertakes to constantly and progressively develop the multimedia activities, creating services and content employable through the main digital platforms and media, like smart phones, tablets and smart TV, carrying out specific control activities for these purposes.

The content to be posted on websites, including that provided directly by the listeners, is supervised in order to make sure it is suitable to be issued; as far as the content users make themselves, a disclaimer is filled out, which for minors must be signed by the individual with custody over them.

To guarantee users' privacy, the messaging systems use conceal the mobile telephone numbers of listeners, who can only be contacted by the people employed in the company for that purpose.

## **Pay TV**

During 2018, the Mediaset Group re-established its positioning regarding Mediaset premium pay TV, gradually disposing of Premium Sport channels and focussing on Cinema and TV Series channels and the activities of suppliers of these contents, through the long-term agreement signed with Sky in March 2018.

Starting from 1 June 2018, the Operations Pay TV unit (Marketing, Sales, CRM, CAS) was transferred to the company "R2", that delivers the same services to Mediaset Premium, in a capacity as external supplier.

On 5 November 2018, Mediaset, exercising the put option established in agreements signed with Sky, assigned the Mediaset's Premium technological platform to the satellite operator.

On 31 December, Mediaset also exercised the option right whereby Premium Cinema and TV Series channels will be distributed on the digital terrestrial platform exclusively by Sky.

In July 2018, Mediaset Premium reached an agreement with DAZN (Perform Group), awarded package C of the Serie A football championships, to include the possibility of using the OTT DAZN platform in its Football product lists.

Moreover, on 31 December 2018, the Studio Universal channel stopped broadcasting, as the contract had expired.

As regards the legal framework, in November 2018, Agcom filed a claim that Mediaset Premium had allegedly infringed Article 1, paragraph 3 bis of Legislative Decree no.7/2007, on withdrawal, as, in the opinion of the Authority, the withdrawal procedures set up by Mediaset Premium in favour of users did not comply with legal regulations as they "did not contemplate which channels could be used by users to exercise their right to withdraw, nor the telephone number or sales outlets where users could activate contracts, as indicated on the company website and in the general terms of supply of the service".

Mediaset Premium does not consider that it has infringed any provision protecting consumers and doubts that "telephone with-

drawals" may have actual benefits for users (as, instead, there is more of a risk that opening this channel would only make procedures to terminate contracts more uncertain and less safe).

In any case, Mediaset Premium - with a view to working with and respecting the Authority - has taken into account its findings and, for this purpose, as from 10 December 2018, has considered user telephone requests as valid, both for withdrawing from and terminating "easy pay" contracts.

All customers were given information about the new channel and how to withdraw from/cancel the service; all contractual documents including documents available on [www.mediasetpremium.it](http://www.mediasetpremium.it) are currently being revised, in order to implement and inform users of the new process underway. Document updates will also eliminate references to places used in the past to collect requests for the service, to avoid all possible misunderstandings.

Mediaset Premium has committed to completing the revision and updates to contractual documents by 7 January 2019.

### ***Innovation in defining and disseminating content***

In the consolidated context of multimedia video offering, the Mediaset Group is working through a dedicated organisational structure to make its services and content accessible on all main connected digital platforms (desktop, mobile and wearable devices, tablets, smart TVs, etc.), and to promote the digital extension of its free-to-air programmes (TV and radio), as well as access to its editorial products, including news and entertainment, across all digital platforms, consequently improving advertising revenue.

Mediaset's digital offering focuses on two main areas:

- **Video:** the site of choice for video content is the restyled **Mediaset Play** platform.

Online since June 2018, the platform has been entirely restyled and offers a website and relative mobile apps (iOS and Android) and an innovative TV app for hbbtv/mhp devices. Users can directly watch the streaming of TV channels on the platform, and watch programmes

that already started from the beginning (restart function for any live programme), and see most free-to-air content on demand. Viewers can watch entire episodes or choose from hundreds of clips taken on a daily basis from TV programmes and ad hoc content for use on the move. Integration of the Digital Content Factory with programme editorial teams allows for a wide number of different formats on different digital platforms, that all meet editorial guidelines.

- **Information:** the information hub, under the **TGCOM24** brand, comprises news (*TGCOM24* news ), sports information (*Sportmediaset* programme) and weather *Meteo.it* programme).

Viewing figures for the information hub went up considerably during the year, and in the second half of 2018, the total average daily audience was equal to 2,215,000 unique users (source Audiweb 2.0, overall perimeter with TAL) ranking third, with the TGCOM24 brand in the Italian digital information market and second overall for the number of unique users on mobile devices (Source Audi-

web 2.0 average figures for July - December 2018)

**Mediaset apps**, with a monthly average of **4.0 million unique users** recorded in the second half of 2018, rank first for Italian broadcasters (Source Audiweb 2.0 average for July - December 2018). In this sector, the free Tgcom24 app registered over 5.8 million total downloads, the weather forecast service (*Meteo.it*) registered a total of 10.6 million downloads on its app, while the *Sportmediaset* app reached a total of 3.9 million downloads. (Data source: Annie App at 31 December 2018)

The **FIFA 2018 World Cup** marked a very important event: the creation of the Mediaset Play Main Screen application for smart TVs and the free mobile apps released at the same time gave fans of football matches on TV a whole new innovative experience. In particular, viewers with a latest-generation TV (HBBTV and MHP) could follow matches live along with the highlights from each match, loaded in real time and selected from the remote control to see the highlights of the match in near live mode, with a broadcast-level quality. Plus statistics and an extensive range of content provided by the

Group's newspapers completed the experience.

As regards the **Radio** segment, some of the main digital destinations of our broadcasters were renewed during the year, with the development in particular of the new Radio105 app and the new Virgin Radio site.

Syndication distribution agreements continued during 2018 with the Italian on Line Group (which brings together Italy's two leading Internet portals: Libero and Virgilio), with Microsoft (msn.it) and with the Citynews group (Today.it and vertical sites), in addition to the collaboration with Fanpage.it. Since April, video content has also been available on Superguida TV, Italy's main digital TV guide. These agreements enable the distribution of Mediaset video content on host portals, through the embedding of the Mediaset player. This promotes the exposure of Mediaset brands to a different and more broad-ranging target than its TV viewers, enabling an increase in advertising revenues for Publitalia.

As regards **social networks**, Mediaset is one of the European media companies that has been the best at engaging with its commu-

nities. It counts 41 million fans on Facebook pages of the Mediaset network, with over 8 million followers on Twitter and more than 12 million on Instagram.

Social network activities can capture an active audience that differs by age and type, on a number of channels.

The distribution of exclusive content, previews and live streaming promotes TV schedules and different programmes with a digital audience and creates opportunities for engagement. The inclusion of brief programme excerpts, with a direct link to our sites, can increase traffic to Mediaset Play, with more views of videos on the platform.

To increase customer focus and customer experience of Group properties, all commercial activities of the **Infinity** SVOD service were regrouped under the Digital Business Department in December 2018.

The integration is functional not only for defining a combined commercial offer, and thus creating new revenue streams associated with the free network digital business, but above all in organisational terms for improving a "customer centric" approach, in

order to improve touchpoint management, optimise communication and give the end user a new experience.

The integration of the Digital Content Factory and various editorial teams ensures a better configuration of digital platform formats, optimising both content and distribution logics, while complying with editorial guidelines.

### The group's offering in Spain

Media set Group in Spain carefully and meticulously oversees the production and distribution of its content to offer a qualitatively valid product capable of standing for excellence within the market.

Both entertainment and journalistic content comply with the law “Ley 7/2010, de 31 de marzo, General de la Comunicación Audiovisual” that regulates the audiovisual sector, as well as with procedures and internal regulations and the Group's Code of Ethics.

Indeed, constantly living up to the principles like plurality and diversity of the information sources, freedom of expression and journalism independence, impartiality, non-discrimination and accurate information, relation of content in line with corporate values not to mention the application of ethical rules that pervade all company activities is ensured. In this way, broadcasting independence is guaranteed also through in-company mechanisms so as not to run into any external interference in the generation of content.

AUDIENCE SHARES (medium figures) SPAIN 2018	INDIVIDUAL			COMMERCIAL TARGET		
	24 hours	Prime Time	Day Time	24 hours	Prime Time	Day Time
Telecinco	14.1%	15.0%	13.7%	13.4%	14.0%	13.1%
Cuatro	6.0%	6.2%	6.0%	7.4%	7.8%	7.2%
<b>TOTAL GENERALISTIC CHANNELS</b>	<b>20.1%</b>	<b>21.1%</b>	<b>19.7%</b>	<b>20.8%</b>	<b>21.8%</b>	<b>20.3%</b>
<b>TOTAL SEMI-GENERALISTIC AND THEME CHANNELS</b>	<b>8.7%</b>	<b>8.0%</b>	<b>9.1%</b>	<b>10.1%</b>	<b>8.7%</b>	<b>10.8%</b>
<b>TOTAL MEDIASET ESPAÑA</b>	<b>28.8%</b>	<b>29.1%</b>	<b>28.8%</b>	<b>30.9%</b>	<b>30.5%</b>	<b>31.1%</b>

Moreover, thanks to the plurality and diversity of the sources of information as well as involvement of individuals from various sectors of the company, Mediaset Spain integrates various tendencies and opinion into its information and entertainment programs to offer quality audio-visual services that are representative of all TV viewers.

In any event, quality in creation of content is guaranteed by the Broadcasting Committee that defines the broadcasting strategy together with the management of the Content Department. The broadcasting strategy is then sent to the executive producers who are responsible for monitoring and implementing it.

On a weekly basis the Content Commission sees to and monitors the content of the programmes distributed on the group's different channels. Live programming is evalu-

ated and monitored daily in meetings attended by the directors of the specific channel and executive producers of the programmes. Later, once the programmes have been created and presented by the producers, they are evaluated on the basis of compliance with guidelines, Code of Ethics and respect for human rights, the rights of minors and the right to privacy. Once this evaluation has been made, the results are sent to the production companies so that they adjust the content. For children's programmes, in addition to the checks mentioned above, the programme is sent to the Child Protection Authority for approval prior to its broadcast.

The innovation in creation of content is yet another fundamental factor for maintaining leadership in the audio-visual industry. That's why New Project Area is always in



contact with the producers and distributors to stay abreast of what's new nationally and internationally.

To evaluate new projects, meetings are held where the content production team attend as well as the Production area director and General Content Director of Mediaset Spain. During the meetings the different market trends are taken into consideration in order to identify quality products and services in which all subjects representative of the audience are shown.

Once the project has been approved, the Antenna Division takes action to develop programming strategies: identifying the best premiere dates, establishing the content marketing strategy, defining the launch campaigns, setting up the communication activity being broadcast and more generally defining all the activities linked to positioning of the programme in order to get the best performances.

To ensure the creation of content is in line with company values and the Code of Ethics, Mediaset in Spain has defined and implemented a pyramid control system where

the content generated is evaluated and monitored constantly.

To improve the dissemination of the content, Mediaset Group in Spain has renewed its platforms, thus managing to disseminate its products also on Smart TVs, supporting all advanced DRM formats and optimising performance for mobile devices, guaranteeing high-definition use and allowing multi-device use.

More generally, Mediaset Group in Spain manages to disseminate and transmit its signal with a coverage of 98% of the Spanish population through 2,916 transmission or distribution centres.

Furthermore, programming is made available to the audience through the web platform, a tool that promotes access to audiovisual content and allows interaction monitoring of ratings of the programmes and series offered through analysis of comments.

Plus, given the immediacy of the information disseminated more and more often over social networks, the Mediaset España newsroom scrupulously checks its sources. For

this purpose, the following activities have been put in place:

- Weekly broadcasting committee with the company's top managers to check the news.
- Daily broadcasting meetings to review the content to be broadcast as well as the content already broadcast, analysing that which had not been adapted to the set broadcasting approach in advance.
- Ongoing dialogue among journalists and area managers to update the information.
- Daily check of the broadcast of content subject to intellectual property.
- Citations of sources when they are public and allowed to quote them.
- Confidentiality of sources when required.

For accessibility to content, Mediaset Spain has maintained its commitment year after year to render its programming accessible to individuals with visual or hearing disabilities, as a tool for the social and cultural integration of these groups.



During 2018, Mediaset España broadcast 42,625 hours of subtitled programmes and some 2,272 hours of programmes with sign language.

## 4.2 RESPONSIBLE ADVERTISING AND MARKETING

The Mediaset Group operates through two wholly-owned advertising sales agencies in Italy: Publitalia '80, the sales house that exclusively serves the free-to-air Mediaset networks; and Digitalia '08, the sales house specialized in selling advertising space on the pay-TV distribution platform.

The Group also owns a 50% interest in Mediamond, a joint-venture with Mondadori, which sells advertising space on the Mediaset Group websites and radio, on Mondadori websites, and via third-party publishers.

The Group's advertising is based on the strategies and commercial policies from various periods of the year which define the sales methods to investors for all advertising spaces on Mediaset television channels (general-interest and specific).

Advertising sales take place through different formats:

- Display advertising: commercials during advertising breaks within or adjacent to programmes;
- Sponsored programmes (such as weather forecasts);
- Long video: 40- 60 -90 second videos created for the client and aimed at explaining the product more in-depth than the classic commercial;
- Short format characterized by the prestigious position and the graphics frame (Top, Best last position, Brand video);
- Animated overlays in programs (inlogo).

The main forms of display advertising sales are organized by programme and by sets of commercials (target modules), while a relative price list is created for special positions within commercial breaks (very first, first, second and last).

Another way of advertising and selling products via television is product placement. This form of advertising sales takes place through the definition and creation of projects in collaboration with the client. There are two forms available: product in-

sersion in programmes or the construction of programmes fully financed by the client.

From an internal control point of view, the Group takes special care to select which advertising campaigns are broadcast. To this end, the main criterion is compliance with current legislation on advertising.

Compliance verification is applied in full respect for the advertiser's autonomy in creative and communication choices and is aimed at protecting the company (as well as the advertiser) with respect to the legal status of the communication to be broadcast. This is expressed in the preliminary assessment of what might be the "critical" elements of the message (as well as in the identification, where possible, of the actions necessary to ensure that the advertising complies with the rules).

These control procedures aim to avoid any complaints that could lead to the early termination of the campaign, as well as fines and civil/penal sanctions against (even) the issuer.

Refusal to broadcast the advertising message can only occur in cases where obvious

critical issues in the communication of a legal nature cannot be avoided.

Another assessment criterion that would affect an advertising campaign being broadcast on Mediaset networks is the conformity of the message to the publishing policy of the networks.

With respect to its target audience, the Mediaset Group applies strict selection on advertising that relates to or belongs to certain product sectors which - even if lawful and legitimately publishable - could be considered as not compliant with the publishing policy (e.g. the Group does not advertise weapons, funeral services), or the contents of the message (e.g. vulgarity, violence, etc.)

This editorial judgement varies depending on the characteristics of the media and therefore also of the target audience for which the advertising is intended.

During 2018, with specific reference to regulations on the concentration of advertising, Agcom, dismissed, with notice to not continue with the contested conduct, the proceedings relative to exceeding the advertising concentration brought in September

2017 against Italia1, Canale 5 and Rete 4, due to the number of radio self-promotion messages (Radio 101) of the Group.

Agcom's resolutions were promptly appealed against, with an application for interim relief made by RTI before the competent administrative judge. The hearing took place on 7 February 2018 at the Chamber of Commerce. On the outcome, the Regional Administrative Court set the public hearing concerning the appeals for 28 November 2018. A decision is pending.

RTI promptly took action to bring its conduct in line with the new guideline from Agcom. On 7 February 2018 (in the absence of a deadline set by the resolutions) RTI took action to align, in times consistent with the application for interim relief. Despite this, Agcom cautioned Italia1, Canale5 and Rete4 in April 2018 for exceeding the transmission limits for advertising relative to January and February 2018 (dates prior to the Chamber of Commerce hearing) due to the number of radio self-promotion messages (Radio 105) of the Group.

In November 2018, Agcom closed the proceedings administering sanctions equal to

EUR 20,658 for Canale5, EUR 20,658 for Italia1 and EUR 20,658 for Rete4.

All sanctions were appealed against with the Regional Administrative Court in January 2019.

The Mediaset Group is committed to broadcasting messages that have more than just a commercial purpose. To that effect, Mediaset is a founding member of the Fondazione Pubblicità Progresso, represented by Publitalia 80 along with the major players in communication in Italy. This foundation aims to contribute to the solution of the civil, educational and moral problems of the community by placing communication at the service of society.

Pubblicità Progresso promotes training initiatives on social communication at leading Italian universities; it sponsors events, exhibitions and initiatives dedicated to important social issues; it sponsors social communication campaigns carried out by non-profit organisations; and it holds the Festival of Social Communication for training and dissemination purposes. In addition to paying a membership fee, the sponsoring members provide their work free of charge

for the implementation of the Foundation's activities.

Every year, Pubblicità Progresso draws the attention of the authorities and public opinion to create greater awareness on a specific theme by implementing communication campaigns using contributions from promoting partners; by way of example, past themes have included campaigns on anti-smoking, organ donation, gender equality, anti-racism, sustainability and volunteer work.

In terms of product innovation, Publitalia '80 has created a new internal structure for the research and development of exploiting Internet-connected TVs to offer the market new advertising products.

The most significant developments are based on the analysis and use of Big Data; this activity offers increasingly targeted and effective advertising products.

An example of this is the new ADD+PLUS and ADD+OVER formats which allow the segmentation of the audience and more in-depth content depending on the product advertised through mini-websites accessible

via interaction with Internet-connected TV; these cases will then create a report revealing the results of the campaigns in detail.

In this regard, Publitalia organised a workshop day on Advertising&Technology for communication market operators (customers and agencies).

Moreover, during 2018 Publitalia hosted the Digital Next event, the annual international congress of advertising companies organised by EGTA.

The **Mediaset Group in Spain** believes that the responsible emission and management of advertising are both fundamental elements of the business and has therefore implemented specific management and control mechanisms.

Publiespaña S.A.U. manages the Group's advertising activities in strict compliance with the applicable legislation and with the specific guidelines defined by the Association on the Self-Regulation on Commercial Communication, which the company has been part of since 1995.

In recent years, the company undertook an internal process to reorganise Publiespaña S.A.U., to create a structure which is as uniform as possible with the General Department of Contents; the central figure in this reorganisation is the Director-General, who is responsible for the management and sale of advertising and constantly works in close liaison with the Chief Executive Officer.

Furthermore, the Digital Media Sales Management and the Commercial and Marketing Department were also created.

For the purposes of an internal supervisory system, a commercial policy has been implemented which allows for improved supervision of the advertising contents drawn up. These are examined and monitored weekly by three general departments (Sales, Digital Media and Agencies, Commercial Marketing and Operation and Sale services), who monitor the correct broadcasting of the content.

The internal monitoring process of advertising content also provides further verification, even after airing (in the event of disputes or claims for compensation).

The Mediaset Group in Spain performs further reviews to regulate televised content for children; this monitoring and control includes issues regarding the advertisement of certain food products (to prevent obesity), messages on the environment, advertising toys, and the promotion of medicinal products or alcoholic beverages.

During 2018, two sentences were issued by CNCM for a total sanction of EUR 324,914, concerning non-compliance issues relative to Marketing communication activities.

### 4.3 PROTECTION OF MINORS

The Mediaset Group has always been increasingly attentive to the protection of minors<sup>25</sup>. For this purpose, the company continuously assesses transmissions and pays close attention to the impact that these can have during a child's developmental years.

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<sup>25</sup>The Group's Code of Ethics has been adopted by all the companies of the Group with the exception of El Towers Group and Mediaset Group in Spain, both of which have issued their own Code of Ethics based on the one adopted by the holding. The new Code of Ethics adopted by Mediaset S.p.A. and subsidiaries during 2019 includes a specific article (Article 8 "Integrity and protection of persons"), with provisions on the protection of minors.

Below are a few of the commitments that the Mediaset Group has undertaken to protect minors:

- compliance with all applicable regulations, including the Self-Regulation Code for TV and Minors signed in November 2002, which engages Mediaset SpA in the monitoring of programmes offered to make sure it is respectful of the constraints in place to protect young viewers. Through the application of Article 34 of the Audio-visual Media Services Directive, the Mediaset Group has implemented a series of organisational processes aimed at assessing, identifying and adequately notifying of any programmes "that may damage the physical, mental or moral development of minors" and to provide an indication to users with detailed information;
- willingness to dedicate a set programme that is directly aimed at this group of viewers, 24 hours a day via 2 free channels, Boing (since 2004) and Cartoonito (since 2011);
- notification of the nature and contents of the transmission on all Mediaset Group

channels, free of charge and pay per view, using coloured dots at the beginning of each fiction program (film, fiction, tv movie, etc.) and after each advertising break (green dot: suitable for everyone, yellow dot: recommended for children accompanied by an adult, flashing red dot: recommended for adults, fixed red dot: harmful for minors or prohibited for children under 14). This labelling system also extends to services available via web and mobile (such as Mediaset.it, Mediaset Premium and Infinity).

Furthermore, Mediaset also provides indications for information to give on the contents of the programmes. There are also many indications on multimedia platforms (EPGs in terrestrial digital, web, mobile) to help users choose adequately and which also highlight the suitability or not of the product for minors.

Mediaset Premium also advises customers on the content of broadcasts using information on various multimedia platforms (e.g. EPG, websites, apps).

The Mediaset Group is also committed to promoting responsible TV consumption by

users through periodic information campaigns aimed at sensitizing viewers to a conscious use of content. In particular, awareness of the use of parental control has been a focus recently (the most recent campaign was transmitted between September and December 2018, with remaining steps scheduled for the start of 2019) on all channels, in which the viewer is reminded to activate the blocking device in the decoder settings to prevent the viewing of VM14 content and anything else considered potentially harmful to minors.

There is also a link that takes users straight to the parental control feature - and to the Committee for the Application of the Media and Minors Code - available to users on the Mediaset Group websites: [www.mediasetplay.it](http://www.mediasetplay.it) and [www.mediasetpremium.it](http://www.mediasetpremium.it).

Appropriate corporate structures (Directorate for Documentation and Institutional Analysis and Directorate for Regulation and Institutional Requirements) - are responsible within the Mediaset Group for the dissemination and compliance with legislation for the protection of minors.

From the date of signing the Self-Regulation Code for TV and Minors (November 2002), the Mediaset Group has always participated via its own representative (the Vice Chairman) to help the Committee implement the Code; after works being suspended in July 2016, the Committee was reformed in 2017 and resumed operations in early 2018.

During the year, the Committee oversaw 12 proceedings concerning Mediaset scheduling, ruling in just one case that the Code had been infringed by the reality programme *Grande Fratello 15*, in which behaviour in some broadcast episodes (April 2018, concerning Aida Nizar/Baye Dame) was contested.

In Italy, Mediaset has also been part of the technical working party that drafted the new Self-Regulation Code for Media and Minors, which aims to reformulate requests to safeguard minors in the complex reality of current mass media. This draft is now awaiting final approval, just as soon as the approval process required by law has been completed.

Moreover, in addition to the general principles, Mediaset and Italian subsidiaries within

the Group Code of Ethics (see also paragraph 1.3 and 3.2) have also adopted a provision explicitly on the protection of minors.<sup>26</sup>

Then there is a specific procedure, applicable to the company RTI, the organisational guideline "Preliminary checks for the issue and publication of content", aimed at preventing the dissemination of images not suitable for minors.

As regards compliance with Article 34 of the Audiovisual Media Services Directive, during 2018 Agcom, the Authority responsible for enforcing compliance with the aforementioned law:

- applied sanctions against Radio 105 for violating rules on the protection of minors in relation to a swear word which was said during Radio 105's programme "Lo zoo di 105" (on 20 October 2017) before the watershed (€ 25 thousand);
- started a procedure to verify some episodes of the programme "Grande Fratello 15" (Canale5, broadcast on 26 and 30

April; 1, 8 and 9 May and Italia1 on 26 April and 1 May 2018), for having broadcast a content that was not suitable for an audience of minors, before and after the watershed. (sanctions notified on 30 January 2019, € 62,5 thousand for Canale5 and € 62,5 thousand for Italia1).

Lastly, the Group confirmed its commitment at European level to making the web a safer place for minors. Following the positive trial on the Mediaset platform [16mm.it](http://16mm.it), of the "YouRateIt" system, which classifies content produced by users between 2013 and 2015, in conjunction with the British BBFC and Dutch Nicam (two of the main entities operating in Europe that assess audiovisual content), - the European Commission, in its proposal to revise the Directive on Audiovisual Media Services (Directive 2018/1808/EU of 14 November 2018, which came into force on 19 December 2018), decided to introduce under Article 28ter 3, letter g), appropriate measures for protecting monitors on platforms for sharing videos, including tools for classifying content, such as those used by "YouRateIt". In its "Impact Assessment" (document accompanying the proposed revision of the Directive), the Euro-

pean Commission specifically refers to the experience of the "YouRateIt" pilot tested by Mediaset, among actions taken for Internet platforms to protect minors from harmful content.

The Group has also kept its role on the Advisory Board of the Safer Internet Centre for the Italia-Generazioni Connesse project, coordinated by the Ministry of Education, University and Research.

Regarding commercial communication, the advertising sales house Publitalia '80 also supervises compliance with the provisions contained in the Self-Regulatory Code of Commercial Communication.

As for product placement, with specific reference to the betting sector, the contents are shared internally with the Mediaset S.p.A. legal office before each televised broadcast.

Regarding the participation of minors in the content produced, the **Mediaset Group in Spain**, has drawn up a manual in which all necessary information concerning the rights of minors is collected to ensure children's activities on television are suitable and to

<sup>26</sup> Code of Ethics, Article 11 "Integrity and protection of the person".

ensure that their right to education and enjoyment of their leisure is not violated. This manual is available on the intranet and is provided to all production companies who employ minors to implement the measures presented.

Furthermore, the Code of Ethics of Mediaset España states that, as a basic principle, "no one should behave in such a way as to induce, promote, favour, permit or allow acts or attitudes that could be characterized as prostitution or corruption of minors".

As for the impact of the content transmitted to minors, the Spanish regulation requires the classification of the audio-visual content to be transmitted, defined in the framework of content self-regulation, signed by the operators of free-to-air television in 2015 and under the supervision of the Spanish National Commission on Markets and Competition (CNCM). According to this self-regulation framework, all televised content must be classified, except for news and events broadcasting (sport, music, culture, politics, bullfights and bull runs).

For these reasons, the Department of Institutional Relations works continually on a

close basis with the Antenna Department, in order to clarify and qualify any content that may have an effect on regulations protecting minors.

The age classification established determines the time slot in which each programme may be broadcast.

Furthermore, prior to the transmission of programmes involving children, a preliminary approval by the Child Protection Authority is required in addition to the aforementioned verification.

Finally, thanks to the Parental Control system, the Group ensures a safe browsing environment for registered users on the Mitele platform and on all devices. On websites with specific content aimed at children and young people, the advertising used is segmented to avoid the risk of promoting unsuitable products or services that do not comply with the rules described above.

During 2018, the CNCM issued two rulings, applying sanctions to the Company for infringing regulations, for a total of EUR 1.3 million.



## 4.4 PROTECTION OF INTELLECTUAL PROPERTY

The Mediaset Group considers the respect and protection of intellectual property to be of strategic importance and, to protect its audiovisual rights, prosecutes those responsible for pirated emissions of its content, regardless of the medium.

We start with careful monitoring using specialized companies and once we have identified pirated content, we proceed with prosecution, with the help of external legal firms where required, and file administrative actions with AGCOM via civil and criminal lawsuits in the event of repeat offenders, to prevent distribution of the content and claim damages.

The same level of attention for intellectual property is also recommended to internal production facilities, for which the Collective Management of Copyright and Related Rights provides preventative advice on request.

The Group is also present in all national and European institutions that deal with copyright legislation.

As evidence of the importance and care that Mediaset dedicates to the protection of intellectual property, the Code of Ethics of the Group<sup>27</sup> has a specific article on this subject stating that anyone processing data, information or documents regarding intellectual and/or industrial property rights within the Mediaset Group must do so with the utmost diligence, accuracy and confidentiality.

In the case of foreign subsidiaries, such as Medset, external legal practices that comply

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<sup>27</sup> The Group's Code of Ethics has been adopted by all the companies of the Group with the exception of EI Towers Group and Mediaset Group in Spain, both of which have issued their own Code of Ethics based on the one adopted by the holding. The new Code of Ethics that will be adopted by Mediaset S.p.A. and its subsidiaries during 2019 includes Article 12 (Intellectual Property), which establishes the following: "1. The Mediaset Group holds important intellectual property and/or industrial rights, the correct management of which is considered essential. Therefore, all subjects whose activity, task or function requires, in any way, the processing of data, information or documents relating to intellectual property and/or industrial rights of Mediaset Group companies have a duty to handle them with the utmost diligence, care and confidentiality. 2. The intellectual property and/or industrial rights for products, works and/or knowledge gained from working with or on them belong to the Mediaset Group companies that hold the rights to the same, in the manner and time it deems appropriate, in accordance with applicable legislation. 3. Similarly, the Mediaset Group recognises and respects the intellectual property and industrial rights of others, and aims to ensure that the Group's activities (both productive and commercial) use only products and works, duly licensed by the legitimate owners and used in accordance with authorisations received."

with applicable local laws assist in protecting intellectual property and copyright.

For RTI, there is a specific organisational guideline in place which regulates this case: "Procurement of televised productions and purchase of formats and licences".

As regards activities to report and block out pirate sites that broadcast sports programmes and films or TV series, the following is noted.

### **Football cases**

In 2018, 19 portals were reported, and all ended with the disabling of the sites.

The recurring portals that received at least 3 disabling measures by Agcom were then prosecuted under Article 700 of the Italian Code of Civil Procedure.

### **TV production cases**

During 2018, 12 pirate portals were reported: in 11 cases, the sites were closed and disabled; in 1 case, the prosecution ended with dismissal due to spontaneous adaptation of the portal.

### **Cinema cases**



In December 2018, following changes to the Regulation on copyright, introduced by Agcom ruling no. 490/18/CONS (which gives the Authority some new powers, including the possibility of urgently adopting protective orders in very short times, where possible), 6 claims were filed by Medusa, to request urgent protective orders against the unlawful broadcasting of the film “Amici come prima” shown at cinemas.

The protective orders were adopted by Agcom, requiring the entities providing services to disable access to the work in the following 2 days.

Of the 6 portals, 3 disabled access and the remaining 3 changed their DNS, continuing to broadcast the film in question. Therefore in January 2019, further notification was sent to Agcom stating that these portals were habitual offenders. These portals were also ordered to disable access.

Results achieved have been considerable and in any case the Group is committed to maintaining a high level of supervision of the unauthorized exploitation of its content on the Internet, as well as the increase of pro-

tection instruments established by the Authority in the hope of strengthening them.

In this regard, the Mediaset Group has taken legal action to protect copyright against network operators and leading editorial groups.

These actions are a positive precedent for additional claims submitted by Mediaset to the authorities for repeat infringements of its rights; the results are important in the fight to combat the unlawful distribution of content to the detriment of parties that have legally obtained television broadcasting rights.

The **Mediaset Group in Spain** has defined procedures to control the flow of content to various platforms to guarantee the exercise of its intellectual property rights, while carrying out technical audits to review their correct application.

Mediaset España has always been committed to all initiatives that tackle piracy and the protection of intellectual copyright.

In addition, Mediaset España has an external content monitoring service on YouTube

which tracks and removes all content owned by Mediaset España from this channel.

The intellectual property rights of programmes broadcast live and on-demand via online platforms are protected by specific internal control systems that the company applies before the programmes are aired. The Group examines and defines the different contractual clauses of all the contents produced and transmitted on the various channels with the support of the Legal Department.

The management of the Multi-Platform Department ensures that all content offered via various websites has the appropriate transmission rights in the contract with the producer in question.

In the case of films produced by Telecinco Cinema, Mediaset España has adopted a contractual monitoring system for films which combats illegal access to content produced while the film is shown in cinemas (from when it is released until when it comes out on DVD/Blu-Ray).

Moreover, Mediaset España's Code of Ethics regulates all aspects on the protection of intellectual property.

## 4.5 AUDIENCE INTERACTION AND CUSTOMER SATISFACTION

### FREE-TO-VIEW TV

The Group continuously monitors customer satisfaction to improve its services and allow its viewers to enjoy excellent products. This is why - thanks to the Auditel panel - the Mediaset Group can track the behaviour of the television audience continuously throughout the day. It is also able to identify the number of people watching television at each time slot, which channel/programme is displayed and for how long. Each view is classified based on sociodemographic variables such as gender, age, geographic age and educational background.

Consequently, both quantitative and qualitative ratings for each programme can be known. This analysis also makes it possible to assess individual content on a quantitative basis.

Additionally, the Group is active on social media to maintain a relationship with its users, via Facebook, Twitter and Instagram and on network sites and radio and television programs, thus establishing direct dialogue with the public to collect comments or reports, also in the event of any sudden changes to the programming schedule or sudden cancellations.

As for the world of **News**, each production has a social activity that is managed by a dedicated company structure, which constantly interfaces with the programme lines for sharing contents to be published. Every individual Videonews programme has an email box to which viewers can send reports.

For TgCom24 in particular, there is a constant upgrading of social activity by editorial staff. In addition to the 2 Facebook profiles and 1 Twitter account, TgCom24 is now also on Instagram as of 2017. TgCom24 has a live inbox (TGCom24@mediaset.it) available to viewers and readers for reports and requests for clarification.

Interaction with TGC24 readers/viewers takes place on 2 levels:

- Website: readers can comment on the news published after logging in to the Mediaset Community. Comments are moderated and inserted at the bottom of the articles; the most interesting comments are shown on the site home page. Note that TgCom24 is the only news site that puts readers' contributions on its home page.
- Social media: readers can comment on posts in relation to news, videos and photo galleries on TgCom24; editorial staff moderates the comments. From 1 January to 31 December 2018, there was a significant increase in traffic on TgCom24 social platforms. The official Facebook page has over 2 million followers (up 26% compared to 2016. Data source: Facebook Insights) and the official Twitter profile has 951 thousand followers (up 13% compared to 2016. Data source: Twitter Insights).

On a daily basis, the main TV ratings are analysed, to understand information product visibility and their trends.

Thanks to these quantitative research tools, ratings can be analysed, to optimise proposed content and also assess deviations from editorial targets. Quantitative analyses are a valid way to lay the foundations for broader-ranging surveys, which are combined with qualitative and scenario assessments of the competitive environment, with the aim of offering the best product for the end user.

The same reporting is also used on a B2B level as a valid tool for advertising investors; the investors are thus able to understand the true potential of a product and its ability to speak to the target audience of the advertisers.

The Group radio channels collect feedback and comments from listeners via messaging (SMS and WhatsApp, voice mail, direct contact via the radio channel phone number) and in some cases users are contacted to give their opinions live on air. The feedback collected may concern topics discussed on the air, the selection of music tracks, or guest speaker interventions during live broadcasts. To guarantee users' privacy, the

messaging systems hide the mobile telephone numbers of listeners, who can only be contacted by the people employed in the company for that purpose.

The radio sector also carries out surveys on public appreciation, in collaboration with Gfk, Ipsos and Doxa, considering the listening values on the average day, seven days and an average quarter of an hour.

### **ADVERTISING SALES HOUSE**

Publitalia '80 and other Group advertising companies carry out numerous types of surveys to monitor customer satisfaction.

One of the main ways is to monitor listeners and this takes place via:

- The daily submission of an email to the entire sales force with the most significant data of the television day and a summary of the weekly listeners;
- The weekly submission to more than 10 thousand customers of the Top of the Week on Mediaset networks, which collects the best audience results of pro-

grammes broadcast via the Group's broadcast companies.

Analysis of the effectiveness of advertising campaigns is carried out through:

Marketing analysis with:

- Investment analysis
- Listener trends
- Post campaign assessment

Complete analysis of Mediaset products with:

- Target analysis
- Development of multimedia plans
- Performance measurement

Ad hoc research, with:

- Efficiency and effectiveness of the medium
- Awareness monitoring: telephone surveys are carried out to monitor spontaneous and assisted recall of the campaign/product/company. These surveys

are conducted pre-campaign and post-campaign).

- Qualitative assessment of the audience

### **PAY TV: MEDIASET PREMIUM**

To respond to its customers' needs, Mediaset Premium contacts them to collect service indicators through a variety of channels: Incoming voice, Chat, Desk service, Incoming documents. The meeting between the needs of the customer and Premium can take place either by contact originating from the customer, or by contact originating from Premium (Outgoing).

Reports can be managed directly with the operator or, if they are unable to provide an immediate solution, through subsequent back office activities.

27,200 complaints were received in 2018, of which 26,000 regarding administration, 300 regarding credit and 900 regarding technical issues.

Additionally, the social caring service was set up in 2016 (user care through social media) in order to offer a service closer to the customer and allow customers to get in

touch with the parties responsible in a simple and direct way. For this purpose, eight pages/profiles are available on Facebook and Twitter for interaction (e.g. Premium Sport HD, Premium Play, Premium Cinema, etc.) and two on Instagram. The average response times are 30 minutes and include both publicly via direct reply on the social media page and personalized via Messenger (Facebook private messaging) or re-routing to Live Chat on APP My Premium for ad hoc management.

Some data are reported below:

Social Caring feedback number:

- Content deemed relevant since it is related to info on technical compatibility, programming schedule/content or contract management/business info and managed directly by the supplier or forwarded to MP for more complex issues: 50/60 average per week
- Content that requires moderation (offensive or irrelevant content to be hidden/deleted so that it is no longer visible): average of 200/300 per week

At 31 December 2018, following the sale of the Mediaset Premium platform to Sky, the social caring service was closed.

### **TECHNOLOGICAL INNOVATION FOR USER INTERACTION**

The Mediaset Group has always been in line with the most recent technological developments; in fact, it has some of the most innovative and leading B2C interaction tools, including Zendesk.

This tool has already been active on Infinity, since the service was launched, and makes it possible to engage with users to improve their experience of services and receive and manage complaints concerning technical issues.

The tool can be used to activate a number of touch points, including live chat, email or sms - which are already enabled on Infinity and will soon be extended to other platforms.

In 2018, 350,000 complaints were received, managed and solved, in compliance with guaranteed SLAs, producing excellent results in terms of customer post-contact sat-

isfaction (CSI) demonstrating the efficiency of the tool.

Interaction with customers is therefore an important and effective tool, as user reports in several cases have helped solve significant problems in a short time.

Another major user interaction tool is Chat Bot. Chat Bots are programs that simulate a conversation between a robot and a human being, thus integrating artificial intelligence and machine learning. This tool interacts directly by answering user questions; it also performs pre-defined actions such as rating a character in a programme.

Meteo.it is the first Italian Chat Bot dedicated to weather forecasts.

A Chat Bot was developed for Big Brother VIP to allow users to interact with the programme and vote for the participants in the programme free of charge.

Digital Business management continuously monitors the consumption behaviour of digital users in order to measure the performance of individual contents and reference brands. This monitoring is performed using data collection tools, such as Webtrekk.

In order to create a more in-depth perception of preferences for different contents, continuous monitoring research is carried out on the appreciation and mood of users towards different brands. The continued adoption of new technologies will give way to a process to increase awareness possibilities and interpretation of users' consumption habits and interests, as well as proposing content that is more consistent with user interests through the use of algorithms (Content Wise).

In line with Italian companies of the Mediaset Group, **Mediaset España** continually engages with its customers through standard "audiometric" surveys <sup>28</sup>and through a number of different applications. In this way users can participate in broadcast programmes and make their voices heard, thus influencing and making important decisions in prime-time programmes. Moreover, the use of dedicated spaces on the web platform have launched competitions or initiatives to collect possible content proposals from the public such as photos or videos. All

contents are viewed before publication. In the same way, users can send their opinions, complaints, suggestions or questions to the various email addresses of Mediaset España S.A., through applications created for specific programmes or through the new PlayBuzz platform which allows users to interact anonymously. Each website has a "Contact form" in which users can indicate their opinions, make complaints or suggestions. Depending on the Management of the Multiplatform area, a team assesses all the comments received, responses to surveys and the ratings expressed for the different channels. Depending on the type of comment, the team decides on the replies in coordination with the producers of each content.

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<sup>28</sup> During 2018, qualitative audience studies were also conducted in association with leading research companies.





**5 ■ People**







**4.760** dipendenti del Gruppo Mediaset



**97%** contratti a tempo indeterminato



**48.700** ore di formazione erogate nell'anno



**49%** dei dipendenti composto da donne

## 5.1 PEOPLE IN THE MEDIASET GROUP

Group employees are mainly concentrated in Italy and Spain: approximately 73% in Italy, and approximately 26% in Spain. A lower share of approximately 1% is employed in offices located in France, the United Kingdom, Luxembourg<sup>29</sup>, Germany and South America, hereinafter grouped under the "Other Countries"<sup>30</sup> category.

At 31 December 2018, in line with the previous year, 97% of employees had open-ended contracts: the high percentage in all Group offices is due to the Group's ability to retain and guarantee a high level of employment stability, to meet the needs of the different business activities.

<sup>29</sup> Mediaset investment Lussemburgo was wound up in September 2018.

<sup>30</sup> Thanks to the improvement process during 2018, figures for that year, in the "Other countries" geographic area also include employees operating at foreign branches of Netsonic (approximately 1.2% of staff of the Mediaset Group in Spain in 2017).

### NUMBER OF EMPLOYEES BY TYPE OF CONTRACT (PERMANENT AND TEMPORARY) BY GENDER AND GEOGRAPHIC AREA AS OF 31 DECEMBER

ITALY	2018			2017		
	Men	Women	Total	Men	Women	Total
Permanent contract	1,708	1,644	<b>3,352</b>	1,801	1,699	<b>3,500</b>
Temporary contract	77	46	<b>123</b>	65	48	<b>113</b>
<b>Total</b>	<b>1,785</b>	<b>1,690</b>	<b>3,475</b>	<b>1,866</b>	<b>1,747</b>	<b>3,613</b>
El Towers Group			-	458	99	<b>557</b>
<b>Mediaset Group in Italy</b>	<b>1,785</b>	<b>1,690</b>	<b>3,475</b>	<b>2,324</b>	<b>1,846</b>	<b>4,170</b>

SPAIN	2018			2017		
	Men	Women	Total	Men	Women	Total
Permanent contract	606	626	<b>1,232</b>	628	623	<b>1,251</b>
Temporary contract	6	5	<b>11</b>	9	13	<b>22</b>
<b>Total</b>	<b>612</b>	<b>631</b>	<b>1,243</b>	<b>637</b>	<b>636</b>	<b>1,273</b>

OTHER COUNTRIES	2018			2017		
	Men	Women	Total	Men	Women	Total
Permanent contract	21	20	<b>41</b>	14	13	<b>27</b>
Temporary contract	1	-	<b>1</b>	-	-	<b>-</b>
<b>Total</b>	<b>22</b>	<b>20</b>	<b>42</b>	<b>14</b>	<b>13</b>	<b>27</b>

NOTE: In order to ensure data comparability with previous years, 2017 amounts have been restated and show El Towers Group separately. Refer to the 2017 Non Financial Statement for the the previously reported data, available under the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it).

At 31 December 2018, the Mediaset Group workforce amounted to 4,760 people, down compared to 2017, mainly because of the deconsolidation of the EI Towers Group. The net change in the workforce in Italy between the two years is mainly due to the exit of R2 and entry of Radio Monte Carlo in the reporting perimeter (net of staff joining and leaving, with a change of 95 employees). The main organisational roles are held by employees: in fact, external staff are only used<sup>31</sup> for specific activities of a professional nature or to meet temporary needs. At 31 December 2018, external staff totalled 362 in Italy, and around 482<sup>32</sup> in Spain.

### NUMBER OF EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER AS OF 31 DECEMBER

	2018			2017		
	Men	Women	Total	Men	Women	Total
<b>MEDIASET GROUP</b>						
Executives	242	107	<b>349</b>	253	107	<b>360</b>
Journalists	233	258	<b>491</b>	233	248	<b>481</b>
Middle managers	414	393	<b>807</b>	456	410	<b>866</b>
Office workers	1,501	1,579	<b>3,080</b>	1,543	1,626	<b>3,169</b>
Industry workers	29	4	<b>33</b>	32	5	<b>37</b>
<b>Total</b>	<b>2,419</b>	<b>2,341</b>	<b>4,760</b>	<b>2,517</b>	<b>2,396</b>	<b>4,913</b>
EI Towers Group			-	458	99	<b>557</b>
<b>Mediaset Group</b>	<b>2,419</b>	<b>2,341</b>	<b>4,760</b>	<b>2,975</b>	<b>2,495</b>	<b>5,470</b>

NOTE: In order to ensure data comparability with previous years, 2017 amounts have been restated and show EITowers Group separately. Refer to the 2017 Non Financial Statement for the the previously reported data, available under the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it).

<sup>31</sup> The Group makes use of external collaborators such as: contract workers with VAT number, Temporary staff with fixed-term and open-ended contracts, interns. Most of these collaborators are employed in production activities.

<sup>32</sup> External staff on temporary contracts in Spain were calculated from average data. Figures on intern staff are instead considered for all internships during 2018,

## 5.2 DIVERSITY AND EQUAL OPPORTUNITIES

Mediaset promotes equality, non-discrimination and equal opportunities, through the Group's Code of Ethics. The Mediaset Group rejects and excludes any form of exploitation of workers and discrimination based on gender, age, race, language, nationality or religion, promoting equal opportunities in terms of training, development and professional growth. Finally, the Group guarantees fair treatment and promotes engagement with social partners.

In applying the Group's principles, therefore, any conduct or attitude that discriminates against or harms people as well as their convictions or preferences is opposed. The promotion of equal opportunities is encouraged with reference to work conditions and possibilities, training, development and professional growth, in full compliance with current legislation and the values which inspire the Group. Through the appropriate corporate structures, compliance with these principles is guaranteed and promoted in all areas of the organisation, implementing management policies aimed at guaranteeing a

MEDIASET GROUP	2018				2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Executives	-	143	206	349	-	155	205	360
Journalists	10	278	203	491	9	282	190	481
Middle managers	1	369	437	807	2	433	431	866
Office workers	138	1,571	1,371	3,080	125	1,762	1,282	3,169
Industry workers	-	24	9	33	-	25	12	37
<b>Total</b>	<b>149</b>	<b>2,385</b>	<b>2,226</b>	<b>4,760</b>	<b>136</b>	<b>2,657</b>	<b>2,120</b>	<b>4,913</b>
El Towers Group				-	6	206	345	557
<b>Mediaset Group</b>	<b>149</b>	<b>2,385</b>	<b>2,226</b>	<b>4,760</b>	<b>142</b>	<b>2,863</b>	<b>2,465</b>	<b>5,470</b>

NOTE: In order to ensure data comparability with previous years, 2017 amounts have been restated and show ElTowers Group separately. Refer to the 2017 Non Financial Statement for the the previously reported data, available under the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it).

## NUMBER OF EMPLOYEES IN PROTECTED CATEGORIES BY PROFESSIONAL CATEGORY AND GENDER AS OF 31 DECEMBER

MEDIASET GROUP	2018			2017		
	Men	Women	Total	Men	Women	Total
Executives	1	-	1	1	-	1
Journalists	1	-	1	1	-	1
Middle managers	7	7	14	7	6	13
Office workers	87	96	183	93	100	193
<b>Total</b>	<b>96</b>	<b>103</b>	<b>199</b>	<b>102</b>	<b>106</b>	<b>208</b>
El Towers Group				40	5	45
<b>Mediaset Group</b>	<b>96</b>	<b>103</b>	<b>199</b>	<b>142</b>	<b>111</b>	<b>253</b>

NOTE: In order to ensure data comparability with previous years, 2017 amounts have been restated and show ElTowers Group separately. Refer to the 2017 Non Financial Statement for the the previously reported data, available under the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it).

fair assessment of people already in the selection phase, constantly monitoring growth trajectories and designing professional and managerial training courses aimed at developing distinctive behaviours. These initiatives enhance and recognise the wealth deriving from diversity, promote integration and are an integral part of the Group's culture.

The data presented provides a traditional breakdown of employees by the various professional categories, including that of "Journalists", typical of the particular business. Approximately 65% of the Group's employees belong to the white collar category, in line with 2017 figures, with a balanced gender distribution.

As can be seen from the tables above, approximately 50% of Group employees are between 30 and 50 years of age, approximately 47% are over 50 years of age, while approximately 3% are below 30 years of age.

Within the Group, 199 people belonging to protected categories are employed in various corporate roles, with a basically equal balance between males and females. These

categories represent around 4% of total employees.

### **5.3 PEOPLE MANAGEMENT, ATTRACTION AND DEVELOPMENT**

The commitment and motivation of employees are fundamental elements for the Group's success. To this end, opportunities for professional growth are continually offered, exploiting the diversity of origin, experience and competence.

Internal company processes are aimed at ensuring a correct assessment of employees starting from both the selection phase and that of subsequent professional and managerial development, through constant monitoring of growth trajectories and the design of coherent training programmes.

#### ***Recruiting policies***<sup>33</sup>

The Group has always enjoyed great visibility on the job market and attractiveness, as witnessed by the 28,000 or so unsolicited applications received through the "Working with Us" section of the corporate website, which was revamped in 2016 with links to the websites of Group companies.

In parallel, the use of modern digital recruiting tools and the relationship with the leading recruitment companies make it possible to actively seek and identify the best profiles on the market in relation to specific needs.

Finally, the Group's constant and continuous collaboration with leading Italian and Spanish universities makes it possible to contribute to the educational offering of numerous degree and master's courses, through the many lectures and company testimonies in the classroom by its managers, and to offer

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<sup>33</sup> Recruitment by the various Group companies, in Italy and abroad, is regulated by specific protocols drawn up in line with the Group's policies, in compliance with the provisions of Legislative Decree 231/01. These procedures also take into account the local legislation to which Group Companies are subjected, including provisions concerning termination of employment and provisions and regulations for specific remuneration treatment for "expats" in the event of secondment of personnel abroad.

internships in the company to young undergraduates and graduates.

The selection process is in any case always preceded by a careful analysis of qualitative-quantitative coherence regarding the size of the workforce, with respect to the organisational needs of the companies and also evaluating, where possible, the professional development of internal resources.

In Italy, more than 810 candidates were interviewed during 2018,<sup>34</sup> for both profiles with professional experience as well as internships.

The selection process is aimed at identifying the most suitable candidates, from the point of view of both technical and professional skills as well as soft skills, with the aim of seeking the key skills that the company considers a critical success factor for achieving corporate goals.

In particular, over the years the Group has consolidated a set of key distinctive skills, relating to the cognitive and relational-emotional areas, to be sought in the selection processes of figures from the external

market and to identify and evaluate in planning the development trajectories for internal resources.

These soft skills in fact represent a critical success factor, common to all areas but differentiated according to the role and degree of seniority, for achievement of corporate objectives at both the group and individual growth levels and flank the professional skills necessary for the various roles in the organisation.

The observation and analysis of certain behaviours and attitudes that people tend to adopt during the selection or assessment phase allow us to estimate the following significant skills and abilities to be projected in the workplace:

- Leadership – cultivation of an appropriate style in interpersonal relationships in order to influence and involve others in the pursuit of the objectives of the group to which they belong, constituting a role model;
- Communication – ability to transmit and share ideas and information in a clear

and concise manner; propensity for listening and effective discussion;

- Team working – willingness to work and collaborate with others, having the desire to build positive relationships aimed at accomplishing the assigned task;
- Social intelligence – ability to operate in a complex context taking into account one's own attitudes and those of others, consciously and objectively reflecting on one's own conduct and that of others;
- Emotional intelligence – ability to feel emotions, recognise them and experience them consciously, thus being able to be fully assertive and expressive in interpersonal relationships;
- Reliability – ability to carry out tasks scrupulously and with attention to content;
- Flexibility – ability to know how to adapt to changing working contexts, openness to innovation and willingness to collaborate with people with different points of view from one's own. Adaptation to different situations and changes in context, showing interest in discussing ideas dif-

<sup>34</sup> The EI Towers Group is not included in this activity.

ferent from one's own and willingness to reorganise one's thinking on the basis of new information;

- Stress resistance / emotional stability - ability to react positively to work pressure while maintaining control, remaining focused on priorities and not transferring one's tensions to others. Ability to overcome defeats and failures; attention to the way in which one's emotions are managed and impulses controlled in difficult situations;
- Self-confidence - awareness of one's value, of one's abilities and of one's ideas irrespective of the opinions of others;
- Problem solving - ability to devise alternative solutions to a problem, estimating the implications for the expected results. This is the tendency to provide concrete solutions that optimise activities in response to the constraints present;
- Life-long learning - recognition of one's shortcomings and areas of improvement, taking action to acquire and further improve knowledge and skills.

In order to guarantee new hires an effective start-up of their work activity, the functions involved supervise all phases in the resource's induction, from activation of the welcome and induction plan to tutoring and coaching.

During 2018, the Mediaset Group employed 101 people with a permanent contract in Italy, up on the figure for the previous year, when new hires were mainly on fixed-term contracts. New employees were mainly assigned to the Digital, Technology and Advertising areas, where new specific expertise was required, as well for Operations, where an important generational turnover process has begun.

In this sense, around 56% of people joining the Group during the year ranged in age from 30 to 50 and 37% were under 30. In particular, at 31.12.2018, around 35,6% of new recruits were under 30.

Moreover, 338 young people got the chance to have training on internships lasting on average 4.5 months.

In 2018, incoming staff was equal to approximately 2.6% in Italy, and around 3.2% in

Spain, where 40 people were employed, aged under 50.

**NUMBER AND RATE OF NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER BY AGE, GENDER AND GEOGRAPHIC AREA (\*)**

ITALY	2018					2017				
	<30	30-50	>50	Total	% Turnover	<30	30-50	>50	Total	% Turnover
<b>NEW EMPLOYEE HIRES</b>										
Men	16	30	4	50	2.3%	9	27	3	39	1.7%
Women	21	27	3	51	3.0%	19	25	1	45	2.6%
<b>Total</b>	<b>37</b>	<b>57</b>	<b>7</b>	<b>101</b>	<b>2.6%</b>	<b>28</b>	<b>52</b>	<b>4</b>	<b>84</b>	<b>2.1%</b>
<b>New employee hires Rate %</b>	<b>75.6%</b>	<b>3.7%</b>	<b>0.3%</b>	<b>2.6%</b>		<b>74.3%</b>	<b>3.2%</b>	<b>0.2%</b>	<b>2.1%</b>	
<b>EMPLOYEE TURNOVER</b>										<b>0.0%</b>
Men	-	15	86	101	4.6%	1	27	87	115	5.0%
Women	1	11	37	49	2.8%	-	28	41	69	4.0%
<b>Total</b>	<b>1</b>	<b>26</b>	<b>123</b>	<b>150</b>	<b>3.8%</b>	<b>1</b>	<b>55</b>	<b>128</b>	<b>184</b>	<b>4.6%</b>
<b>Turnover rate %</b>	<b>2.0%</b>	<b>1.7%</b>	<b>5.2%</b>	<b>3.8%</b>		<b>2.7%</b>	<b>3.4%</b>	<b>5.5%</b>	<b>4.6%</b>	

SPAIN	2018					2017				
	<30	30-50	>50	Total	Turnover %	<30	30-50	>50	Total	Turnover %
<b>NEW EMPLOYEE HIRES</b>										
Men	6	12	-	18	2.9%	2	6	2	10	1.6%
Women	5	17	-	22	3.5%	3	7	1	11	1.8%
<b>Total</b>	<b>11</b>	<b>29</b>	<b>-</b>	<b>40</b>	<b>3.2%</b>	<b>5</b>	<b>13</b>	<b>3</b>	<b>21</b>	<b>1.7%</b>
<b>New employee hires Rate %</b>	<b>53.7%</b>	<b>3.4%</b>	<b>0.0%</b>	<b>3.2%</b>		<b>29.4%</b>	<b>1.5%</b>	<b>0.9%</b>	<b>1.7%</b>	
<b>EMPLOYEE TURNOVER</b>										
Men	-	13	15	28	4.6%	3	7	3	13	2.1%
Women	3	12	6	21	3.4%	-	17	3	20	3.2%
<b>Total</b>	<b>3</b>	<b>25</b>	<b>21</b>	<b>49</b>	<b>4.0%</b>	<b>3</b>	<b>24</b>	<b>6</b>	<b>33</b>	<b>2.7%</b>
<b>Turnover rate %</b>	<b>14.6%</b>	<b>3.0%</b>	<b>5.7%</b>	<b>4.0%</b>		<b>17.6%</b>	<b>2.7%</b>	<b>1.8%</b>	<b>2.7%</b>	

OTHER COUNTRIES	2018					2017				
	<30	30-50	>50	Total	Turnover %	<30	30-50	>50	Total	Turnover %
<b>NEW EMPLOYEE HIRES</b>										
Men	2	4	-	6	27.7%	2	5	-	7	25.8%
Women	3	5	-	8	38.3%	2	1	-	3	16.1%
<b>Total</b>	<b>5</b>	<b>9</b>	<b>-</b>	<b>14</b>	<b>32.9%</b>	<b>4</b>	<b>6</b>	<b>-</b>	<b>10</b>	<b>21.8%</b>
<b>New employee hires Rate %</b>	<b>81.2%</b>	<b>29.6%</b>	<b>0.0%</b>	<b>32.9%</b>		<b>42.5%</b>	<b>21.1%</b>	<b>0.0%</b>	<b>21.8%</b>	
<b>EMPLOYEE TURNOVER</b>										
Men	2	8	1	11	50.8%	-	5	-	5	18.4%
Women	2	4	-	6	28.7%	1	6	-	7	37.5%
<b>Total</b>	<b>4</b>	<b>12</b>	<b>1</b>	<b>17</b>	<b>39.9%</b>	<b>1</b>	<b>11</b>	<b>-</b>	<b>12</b>	<b>26.2%</b>
<b>Turnover rate %</b>	<b>65%</b>	<b>39%</b>	<b>17%</b>	<b>40%</b>		<b>10.6%</b>	<b>38.7%</b>	<b>0.0%</b>	<b>26.2%</b>	

NOTE: In order to provide a realistic depiction of Mediaset's Group turnover rate, the calculation methodology has been updated to include only the permanent employees by age and gender in the numerator. New employee hire rates and turnover rates are calculated on the total of new hires and terminations of permanent employees for the same age groups. The total number of new hires and terminations does not take into account the variations of the perimeter due to acquisitions and terminations during the reporting period. Data on the average number of employees has been partially estimated. To ensure comparability of the data with the previous years, 2017 amounts have been restated. Refer to the 2017 Non Financial Statement for the previously reported data, available under the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it).

## **Remuneration policies**

In Mediaset, the remuneration levels of employees are determined through an assessment carried out by the Human Resources Department and by the Business Managers who, with the aim of ensuring the competitiveness of internal remuneration levels with respect to market benchmarks, take into account the area of responsibility, the task performed and the principles of internal equity, as well as the need to maintain a level of attractiveness and retention for key resources. For this reason, and based on the position held, all modern remuneration systems are used to supplement fixed remuneration, such as: non-compete agreements, short and long-term variable incentives, besides the welfare and benefits system for Group employees<sup>35</sup>. To support the assessment of equity and the competitiveness of remuneration packages, Mediaset uses remuneration survey and benchmark tools provided by leading specialist consultancy companies.

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<sup>35</sup>In particular, the remuneration policy applied to the Group's top management is detailed in the 2018 Remuneration Report.

## **Training**

The Group is constantly committed to designing effective managerial and professional training activities, in addition to those related to legal compliance, in order to develop and increase the skills of its employees, considered a critical success factor to support the development of its businesses.

The design of training activities takes place in coherence with the need to align skills related to the technological evolution processes undertaken by the Group and the need to develop personal skills in line with the new business context and new organisational models.

It is common practice to monitor training needs by involving the function that oversees organisational development processes and analysing business trend scenarios, coordinating at all times with requesting functions and heads of the various business areas. At the same time, monitoring the evolution of legislation makes it possible to effectively ensure the provision of training envisaged by the legal framework.

Training is provided through various means, such as conferences, hands-on modules,

workshop activities and online courses, selected according to the specific objectives of the initiative, the content and specific nature of beneficiaries, in order to maximise effectiveness and efficiency.

During the year, in line with the expansion of the business perimeter, broad-ranging training initiatives were launched, involving all company areas, with a view to developing vertical and horizontal integration skills within the Group.

The most important initiatives in 2018 are briefly described below:

- For managers, the development project started in recent years, focussed on key managerial competencies for the Group, continued with extension to the radio area of the Group, through classroom sessions and one-on-one meetings. The initiative for advertising agencies was completed, with full coverage of the training target. In keeping with this project, personal development training continued with a view to importing personal expertise. These projects focussed on key issues such as motivation and engagement in individual and team activi-



ties, innovation and flexibility in tackling challenges in the workplace. Large numbers of middle managers and office staff were involved, from all Group areas. Initiatives were also held on interaction between the business and support functions on effective communication for production and commercial areas.

- With regard to professional activities, initiatives to develop technological skills were undertaken, implementing projects with the aim of enabling people to understand and use the new work tools that the Group is adopting. Training on the updating of digital skills in the production sector and on the specific applications of individual business areas continued, also with a view to professional re-qualification. Continual professional development courses were also held for personnel on specialist aspects of single areas, with a particular focus on continual alignment with the external scenario and legal developments. Language skills training continued and was further developed with dedicated courses and a blended training project was launched, which involves the use of a dedicated

online portal with digital teaching materials, tutorials and telephone lessons.

- With regard to statutory compliance, the initiatives envisaged by legislation were carried out, paying attention to the specific issues of the company. In health and safety in particular, mandatory training was provided for new recruits and for people holding positions envisaged by the Group Safety Management System; the Five-Year Programme to update personnel, called "Wellbeing at Work" also continued, with classroom and online sessions. In addition to issues more strictly related to legislation and developments, topics concerning ergonomics, good posture, combating addictions, technostress, energy regeneration and brain agility were addressed. As for safety, specific programmes were held for some technical positions operating in production environments. The online initiative on updates to Legislative Decree 231/01 concerning all personnel was completed. This initiative explained fundamental concepts about the decree, the offences contemplated and those of specific interest to the Group, planned fol-

lowing updates to the Compliance Models of Group Companies.

With regard to trade union relations, within the context of an approach of discussion with workers' representatives, a Bilateral Training Committee (consisting of company and trade union representatives) has been established for many years with the task of:

- contributing to monitoring training requirements related to the need to maintain levels of professionalism appropriate to the production evolution of the company;
- formulating indications on projects and means of professional updating of human resources, with particular reference to initiatives in the field of life-long training, in relation to the increasingly rapid technological developments and to issues concerning health and safety in the workplace;
- promoting, analysing and signing annual and periodic training projects/plans to be submitted to the inter-professional funds within the scope of funded training;

- carrying out periodic qualitative and quantitative analyses of the training activity carried out.

Indeed, structural use continued to be made of resources from Fondi Paritetici Interprofessionali (Inter-professional Joint Funds:

Fondimpresa and For.te for the training of middle managers and employees, and Fondirigenti for executives) also in 2018, to fund a considerable portion of the Group's training activities.

In Spain, main initiatives in 2018 concerned:

- activities to develop managerial skills, including a programme for female staff, and coaching
- activities to further develop and disseminate

#### AVERAGE HOUR OF TRAINING PER YEAR PER EMPLOYEE BY PROFESSIONAL CATEGORY AND GENDER

MEDIASET GROUP	Men		Women		Total 2018		Men		Women		Total 2017	
	No. of hours	Average hours	No. of hours	Average hours	Total hours	Average hours	No. of hours	Average hours	No. of hours	Average hours	Total hours	Average hours
Executives	2,487	10	1,818	17	4,305	12.01	1,711	7	1,066	10	2,777	7
Journalists	963	4	1,062	4	2,025	4.20	449	2	309	1	758	2
Middle managers	7,199	16	4,027	10	11,226	13.21	4,888	11	4,431	11	9,319	10
Office and Industry workers	18,828	12	12,316	8	31,144	10.08	12,903	8	12,064	8	24,967	7
<b>Total</b>	<b>29,476</b>	<b>12</b>	<b>19,224</b>	<b>8</b>	<b>48,700</b>	<b>10</b>	<b>19,951</b>	<b>8</b>	<b>17,870</b>	<b>7</b>	<b>37,821</b>	<b>11</b>

NOTE: In order to provide a realistic depiction of the average hours of training per year per employee of Mediaset's Group, the calculation methodology has been updated and uses the average number of the Group's employees as denominator. Moreover, the hours of training for industry workers have been included in the average hours of training for office workers. To ensure comparability of the data with the previous years, 2017 amounts have been restated. Refer to the 2017 Non Financial Statement for the previously reported data, available under the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it).

#### NUMBER OF HOURS OF ANTI-CORRUPTION TRAINING BY PROFESSIONAL CATEGORY

MEDIASET GROUP	2018	%	2017
Executives	182	48%	54
Journalists	131	27%	52
Middle managers	116	13%	220
Office workers	103	3%	796
Industry workers	0	0%	-
<b>Total</b>	<b>532</b>	<b>10%</b>	<b>1,122</b>

nate professional expertise concerning in particular digitalisation and technology

- activities related to changes in regulations, above all concerning personal data processing and IT security, which involved nearly all company staff

In 2018, training on **human rights** involved 23 people in Italy, throughout the Mediaset Group (144 in 2017), with 23 hours of training provided.

Furthermore, in 2018, ad hoc training on anti-corruption practices was provided for corporate structures in Italy considered most sensitive to risk. During the year, 325 people were involved in Italy, accounting for 9.4% of staff, completing the broad-ranging initiative started in 2017.

The **Mediaset Group in Spain** provided training on human rights, freedom of expression and intellectual property for 1,109 people during 2018. For what concerns anti-corruption, 107 Directors were involved in 322 hours of training.

On issues related to regulatory compliance, and in particular on the subject of training and information on the Organisation, Man-

agement and Control Model established pursuant to Legislative Decree 231, privacy and security, specific training, usually through an online method, is provided upon recruitment of personnel. New recruits are also informed on how to consult the Code of Ethics of the Group and the organisational model. Finally, all employees can access this documentation at any time on the company intranet.

Overall, the Group provided 48,700 hours of training in 2018, up by nearly 28% compared to 2017.

People training and talent management are critical elements for the corporate strategy of the **Mediaset Group in Spain** since they allow a rapid adaptation to the dynamic needs of the environment in which it operates.

During 2018, 18,750 hours of training were provided. Main initiatives included training on injury prevention/management and occupational health and safety, training on leadership skills, coaching for executive positions, managerial development courses exclusively for female staff, courses on cre-

ating and managing audiovisual content and on digital marketing and digital advertising sales.

Given the strategic role of innovation, the training plan dedicates more than 20% of training hours to IT courses and the use of new software. In continuity with previous years, the Mediaset Group in Spain offers language and occupational risk prevention courses. Lastly, during 2018 a new awareness and training plan on cybersecurity was held, attended by 85% of staff.

## 5.4 WELFARE AND WELL-BEING

All **Mediaset Group** companies have defined various corporate welfare systems in line with the policies on human resources that have always put people at the centre of the corporate system.

### ***Services and agreements***

For over ten years the Mediacyber has been active at the Milan and Rome offices, the result of an important project aimed at creating an optimal context to facilitate the best balance between professional and personal

life. In particular, this is an area on company premises that includes a series of useful and concrete services for improving the quality of life of those working for the Group.

With an area of 3,000 square metres, Mediacenter is considered one of the most useful and welcoming welfare stores in Italy. The services offered, managed by external operators selected for their specific experience in the areas of reference, concern people care and activities necessary for family management:

- medical centre, which provides the medical services of specialists from the San Raffaele Hospital to employees free of charge;
- fitness centre;
- mini market;
- laundry/tailoring repair services;
- bank;
- post office;
- bookshop;
- travel agency;

- parapharmacy;
- shopping area;
- catering (bar, sandwich bar and restaurant).

As well as this physical presence there is also a website offering up-to-date details of various deals negotiated by the company for its staff – with banks, insurance companies and over a hundred retailers active online or near the Mediaset Group's main offices.

The Group has also been working for many years, together with local public bodies, to offer its employees transport and mobility services through company shuttle buses that connect the Group's offices throughout the day (including public holidays for production centres) to the main nearby underground and/or railway stations. The service is the result of a detailed analysis of the home and work journeys of all Group personnel of the Milan and Rome offices, implemented in collaboration with the Department of Architecture and Planning (DI-AP) of the Politecnico di Milano, aimed at optimising transport service routes and times and limiting inconvenience connected

with reaching the workplace, both in terms of time optimisation and stress accumulation. The Group has put in place agreements with public and private entities for the use of parking spaces during working hours and has stipulated framework agreements with local public transport for discounted season tickets for employees with debit to the payroll.

In 2012, a company Campus was also set up at the Cologno site with specific architectural features aimed at connecting all the buildings and production sites of the Group's headquarters with a more functional approach with respect to the use of work spaces and integration of company areas. With this in mind, an agreement was reached with the Municipality of Cologno Monzese, which transferred Via Cinelandia to the Group in exchange for redevelopment of Viale Europa, which the Mediaset headquarters overlook.

The Group safeguards maternity and return to work after the birth of children thanks to an important corporate initiative, the Nursery, which, since 2004, can accommodate the children of employees up to 3 years of age; this solution allows parents to entrust their children to specialised educators, at the workplace, during working hours, avoiding the need for employees to sacrifice time and money on the care and custody of their children during the daytime.

In 2018, Mediaset was part of the WHP (Workplace Health Promotion) programme promoted by the Region of Lombardy, enabling the Group to be recognised as a Health Workplace under the European Net-

work for Workplace Health Promotion scheme, thanks to all the initiatives it has taken.

### Benefits

The benefits envisaged for Mediaset Group employees in Italy are mainly of a social security and welfare nature. For all employees there is a supplementary health care plan, 24-hour injury insurance policy and the supplementary pension fund. The company also guarantees integration of the statutory remuneration provided for maternity for all its employees. For senior managers, in addition to these benefits, life and permanent disabil-

ity insurance due to illness, as well as company cars depending on the role held, are also envisaged.

The **Mediaset Group in Spain** looks after its employees by guaranteeing a wide range of benefits aimed at facilitating a better balance between work and private life. These benefits range from the possibility of using a company shuttle or free parking at the workplace, to the company canteen, which benefits all workers, and health insurance for spouses and children (up to 25 years), as well as mandatory and/or optional medical check ups.

There are also one-time bonuses linked to the Company's results.

### NUMBER OF EMPLOYEES WORKING FULL-TIME/PART-TIME BY GENDER AS OF 31 DECEMBER

GRUPPO MEDIASET	2018			2017		
	Men	Women	Total	Men	Women	Total
Full-time	2,372	2,056	<b>4,428</b>	2,480	2,101	<b>4,581</b>
Part-time	47	285	<b>332</b>	37	295	<b>332</b>
<b>Total</b>	<b>2,419</b>	<b>2,341</b>	<b>4,760</b>	<b>2,517</b>	<b>2,396</b>	<b>4,913</b>
El Towers Group				458	99	557
<b>Mediaset Group</b>	<b>2,419</b>	<b>2,341</b>	<b>4,760</b>	<b>2,975</b>	<b>2,495</b>	<b>5,470</b>

NOTE: In order to ensure data comparability with previous years, 2017 amounts have been restated and show El Towers Group separately. Refer to the 2017 Non Financial Statement for the the previously reported data, available under the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it).

### Working hours

The Group has always identified and implemented specific tools that facilitate the reconciliation of time dedicated to private and professional life, facilitating the equilibrium between demand and supply of flexibility in the workplace, in line with the needs and opportunities that characterise the television business.

In this regard, trade union organisations have established in agreements a variety in working hours that meets company and staff needs on a flexible basis. In particular, unless otherwise required for operational reasons by organisational units, most employees can start work between 9.00 and 10.30, while other personnel in production areas have a 7-hour rather than an 8-hour working day.

Moreover, from an operational point of view, reductions in working hours are generally granted to personnel requesting this in all the areas of the company, in the presence of the technical and organisational conditions and where the job permits so; to date, 332 people in the entire Mediaset Group benefit from a part-time contract, 85% of whom are women. Reductions in working hours are in fact used to a large extent by female workers who, in particular after returning from maternity leave, ask for a reorganisation of their working life, benefiting from a few hours more each day to dedicate to their private life.

In 2019, the possibility to introduce additional types of flexibility, such as smartworking, with trials to identify benefits and areas

of application, will be investigated and analysed.

## 5.5 INDUSTRIAL RELATIONS

The Mediaset Group has established and built a consolidated and effective system of industrial and trade union relations at all levels of representation.

The topics typically subject to discussion and disclosure consist of work organisation in terms of jobs, levels and processes, the operating performance of the company, the evolution of the workforce and training issues, as well as the evolution of the business.

The companies in the Mediaset Group apply the relevant National Collective Agreements or Supplementary Company Agreements (AIA) to all employees, which regulate all typical situations of the employment relationship. In particular, for Italian companies, the following are applied: for Senior Managers, the National Collective Bargaining Agreement for Commercial Senior Managers and for Industrial Senior Managers; for Middle Managers and White Collar Workers, the National Collective Bargaining Agreement for Private Radio and Television Companies, for Commercial Service Industries and for

Engineering Workers; and for Journalists, the FNSI National Collective Journalists Bargaining Agreement. In addition, a Supplementary Company Agreement applied to Middle Managers and White Collar Workers and a Supplementary Company Agreement applied to journalist staff that regulate and improve on the conditions provided for by the national agreements have been historically in force for the television area of the Group.

Specific provisions that further regulate and detail working conditions, working hours and ad hoc technical-production models for individual companies are usually managed via agreements with the trade union representatives of the workers concerned.

The Group manages any structural changes to the organisational, production and logistics structure that have a material impact on the employment relationship with employees by following the union discussion procedures governed by current legislation, national collective agreements and company agreements. These activities aim to guarantee a fruitful negotiation phase that limits the impact on workers and, where possible, improves any contractual provisions.

During 2018, an agreement was reached with Italian trade union organisations to renew the supplementary company agreement for middle managers and office workers in the Group's editorial area. In particular, the agreement introduces new aspects concerning personnel classification (with the introduction of new professional positions in keeping with technological progress), and working hours (redefined with a view to flexibility and streamlining), thus achieving a more competitive production model. Meetings and opportunities for engagement were also planned, with specific Bilateral Committees being set up to address issues on the recruitment of new professionals or alignment of existing profiles, welfare and any extraordinary projects of interest to the Group. Lastly, with a view to promoting generational turnover, the Group committed to employing at least 100 new staff members while the current agreement is in force.

The agreement implements legal provisions established in the National Collective Bargaining Agreement for Private Radio and Television Companies (signed with sector trade union organisations in December 2017 and approved by workers' assemblies in

January 2018), together with the delegation from Confindustria RadioTV.

A renewal of the supplementary company agreement for the 2018-2021 period was signed in 2018 for the **Mediaset Group in Spain**. This agreement improves some regulatory conditions and governs aspects on planning production needs, internal mobility and times for giving notice.

Below are the collective agreements envisaged for the Mediaset Group in Spain:

- Collective agreement for Mediaset España (during 2018, this contract was renewed and is valid until 2021);
- Collective Agreement of the Advertising sector for employees of Publiespaña and Netsonic;
- Madrid Regional Collective Agreement for Telecinco Cinema employees;
- Madrid Regional Collective Agreement for Conecta 5 employees.

## 5.6 HEALTH AND SAFETY OF WORKERS

The Mediaset Group in Italy and Spain<sup>36</sup> has adopted, implemented and effectively deployed an Occupational Health and Safety Management System, compliant with the OHSAS 18001:2007 standard. 11 companies of the Group have adopted the Group's management system, but are not certified, which are<sup>37</sup>: Mediaset S.p.A., RTI S.p.A., Medusa Film S.p.A., Mediaset Premium S.p.A., Publitalia'80 S.p.A., Digitalia'08 S.r.l., Radiomediaset S.p.A, Radio Studio 105 S.p.A., Virgin Radio Italy S.p.A., Monradio S.r.l., RMC Italia S.p.A..

Some of these companies, and namely Mediaset S.p.A., RTI S.p.A, Elettronica Industriale S.p.A., Medusa Film S.p.A., Publitalia'80 S.p.A., Digitalia'08 Srl and Taodue Srl have obtained OHSAS 18001:2007 certification issued by DNV-GL, while companies in the radio segment of the Mediaset Group that

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<sup>36</sup> The occupational health and safety management system for employees of the Media Group in Spain does not cover employees of foreign sites.

<sup>37</sup> The Company Taodue adopts an occupational health and safety management system similar to Mediaset's version, and has an external safety department.

have adopted the occupational health and safety management system, have started the certification process, which will be completed in the year.

The adoption of the Occupational Health and Safety Management System concerns all staff operating at all sites of these companies and the activities carried out, as well as the management of activities under contract.

The recently acquired companies, Radio Subasio and Radio Aut have not adopted Mediaset's Occupational Health and Safety Management System, as they are small scale and "logistically" independent from other Group companies, assessments on the adoption by these companies of Mediaset's Occupational Health and Safety Management System are currently underway.

The System envisages the development and adoption of specific types of documents including: Policies, General Procedures, Operating Procedures, Operating Instructions and Practical Solutions.<sup>38</sup> Among these

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<sup>38</sup> The procedure PG SIC 05 "Information and training for staff on occupational health and safety" regulates the process to provide staff with information and training on occupational health and safety.



there are, of course, some specific documents aimed at identifying and preventing risks and training programmes on health and safety issues (which are defined according to the assessment of the risks to which workers are exposed in the course of their work).

Furthermore, for the purposes of the systems and rules for recording and reporting of statistics, the Mediaset Group has recourse to specific supporting IT tools, such as the Simpledo.Net platform.

At least once a year, in compliance with the provisions of Article 35 of Legislative Decree 81/08, for each certified company of the Mediaset Group, a "Meeting" is convened which constitutes the "Management Review" referred to in paragraph 4.6 of OHSAS 18001:2007.

The Workers' Safety Representatives (WSR) represent all workers.

## NUMBER OF INJURY, RATE AND INDICATORS ON HEALTH AND SAFETY OF WORKERS BY GEOGRAPHIC AREA AND GENDER

MEDIASET GROUP	2018	2017
	Total	Total
Injuries (no.)	28	38
Fatal Injuries (no.)	-	-
High-consequence work-related injuries (excluding fatalities)	-	-
Working hours	8,728,051	8,762,252
Cases of occupational illness (no.)	-	-
<b>Rate of recordable work-related injuries</b>	<b>3</b>	<b>4</b>
<b>Rate of fatalities as a result of work-related injury</b>	<b>-</b>	<b>-</b>
<b>Rate of high-consequence work-related injuries (excluding fatalities)</b>	<b>0.0%</b>	<b>0.0%</b>

NOTE: Data related to occupational injuries has been reported according to the new GRI 403 Standard, published by the Global Reporting Initiative (GRI), in 2018 replacing the previous version published in 2016, which was used for the 2017 Non Financial Statement. Refer to the 2017 Non Financial Statement for the previously reported data, available under the "Corporate/Sustainability" section of the website [www.mediaset.it](http://www.mediaset.it).

In the case of critical events that may involve employees during business trips abroad, the "Personnel Abroad Security Committee" has been established, consisting of:

- Central Personnel and Organisation Director
- Safety Director
- Personnel Director
- Company representative of the area to which the employee concerned belongs.

In order to guarantee safe working conditions, in May 2013 the Mediaset Group set up an "Operational Guideline" in order to guarantee the safety of its personnel on business trips in countries or areas considered "risk".

Lastly, the Risk Management Department provides adequate insurance coverage for business trips abroad. It should be noted that no Mediaset Group employees are involved in activities with a high consequence injury or health risk<sup>39</sup>.

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39 On 30 November 2018 (published on 5/12/2018) two Organisational Guidelines - LGO MD/HO 105 and 106 - were issued, defining the organisational and operating models adopted by the Mediaset

There are also specific clauses that cover health and safety issues in contracts<sup>40</sup> in which the parties agree that the protection of health and the physical integrity of workers is a primary and constant concern for companies; also, with regard to the occupational safety and health of workers, express reference is made to the provisions of Legislative Decree 81/2008, as amended and supplemented.<sup>41</sup>

28 injuries, none of which were classed as high-consequence, were registered in 2018, a figure down by 26% compared to 2017, demonstrating the Group's focus on the

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Group to manage any crisis situations (CRISIS Management Organisational and Operational Model), in order to reduce negative impact on the business, limit damage to property and harm to persons and lever any opportunities for the Group, contributing to improving company resilience and its value in time, also for the purposes of preventing the offences envisaged by Legislative Decree 231/2001 as amended.

The LGO states that the "Group's priority goal is to safeguard life and health for any reason whatsoever in the company (covering employees, external staff, suppliers, guests...), protecting the company's reputation, supporting business continuity in areas and processes considered critical for the business in various safety and security risk scenarios.

40 Mention is made of Article 20 - Protection of the health and physical integrity of the workers of the National Collective Bargaining Agreement of Employees of Private Radio and Television Companies,

41 Article 7 - Environment and Health of the Supplementary Agreement for Mediaset Group Companies.

health and safety of its staff in the workplace.

5 injuries occurred in Italy during 2018 concerning external staff and suppliers of television products.

Occupational health and safety in **Spain** are regulated and guaranteed through the occupational risk prevention plan and the provisions of the individual national collective agreements. The plan is jointly defined by the Group Health and Safety Committee and by the Prevention Service ("Servicio de Prevención Mancomunado" or SPM), which is then approved by Human Resources and Service Management and finally presented to the Risk Officer.

The occupational risk prevention plan ensures compliance of the company with the legislative provisions on the prevention of occupational risks and the requirements of OHSAS 18001:2017 for the prevention of standard occupational risks.

Based on the objectives set out in the prevention plan, each year the SPM defines the activity plan. The Risk Officer has the task of approving and monitoring the plan on a

quarterly basis together with the Health and Safety Committee. The committee therefore does not carry out preventive activities but rather represents all employees: the committee consists of approximately ten people belonging to the different professional categories. Moreover, the SPM can perform extraordinary activities to meet or adapt to new regulatory needs or changes in business activities. During 2018, 3 injuries were registered, none of which were serious.

In 2018, as in 2017, there were no cases of accidents or cases of occupational illness in other foreign companies of the Mediaset Group.





## **6 ■ Community and Territory**



## 6.1 RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

In carrying out its own characteristic activities, the Group interacts with a multiplicity of suppliers for the acquisition of current goods and services as well as for investments in tangible and intangible assets, the latter consisting mainly of multi-year exploitation rights of audio-visual content.<sup>42</sup>

Given the peculiarities of their products and services, all Group companies use Italian and Spanish suppliers where possible to promote local business in the areas in which they operate.

<sup>42</sup> This item refers to operating costs (costs for purchases, services rendered, leases and rentals and other operating expenses) recognised in the income statement on an accrual basis net of changes in inventory, increases for internal work capitalised and provisions for risks.

### PERCENTAGE EXPENDITURE BY TYPE OF GOOD - LOCAL SUPPLIERS € millions <sup>(\*)</sup>

(values in € million)

#### ITALY <sup>(\*\*)</sup>

	2018			2017		
	Tot	Italy	Other countries	Tot.	Italy	Other countries
Purchasing costs for goods and services	<b>1,278</b>	1,000	277	<b>1,254</b>	949	304
Investments in movie and TV rights <sup>(***)</sup>	<b>426</b>	264	163	<b>395</b>	219	176
Investments in other fixed assets <sup>(***)</sup>	<b>69</b>	68	1	<b>78</b>	73	5

#### SPAIN

	2018			2017		
	Tot	Spain	Other countries	Tot.	Spain	Other countries
Purchasing costs for goods and services	<b>427</b>	367	60	<b>447</b>	408	39
Investments in movie and TV rights <sup>(***)</sup>	<b>127</b>	73	53	<b>173</b>	125	48
Investments in other fixed assets <sup>(***)</sup>	<b>10</b>	10	0	<b>15</b>	14	1

(\*) Local suppliers are identified on the basis of their country of origin. Expenditure with local suppliers for Group companies operating in Italy is distinguished from analogous expenditure in Spain for relevance reasons.

(\*\*) 2018 figures include the first 9 months of El Towers Group results

(\*\*\*) Item refers to the increase of the relevant categories of tangible and intangible assets.

As for the purchase of long-term use rights, the high incidence of expenditure concerning main American majors and holders of sports rights in total Group investments should be noted. As the tables show, in 2018, about 78% of Mediaset Group purchases and services rendered in Italy were from Italian suppliers, while more than 86% of Mediaset Group purchases and services rendered in Spain were from Spanish suppliers.

### **FAIRNESS IN SUPPLIER RELATIONSHIPS**

Collaboration, supply and contracts regarding third-party business relationships with the Mediaset Group in general contain an explicit reference to the Code of Ethics (see also paragraphs 1.3 and 3.2 and the Compliance Programmes of companies) and state that failure to comply with the rules set forth therein may constitute a breach of the contractual obligations assumed, with the consequent option of cancelling any contracts made with any company in the group.

Furthermore, Mediaset S.p.A. have joined the initiative promoted by Assolombarda (extended to the main Italian companies of the Group), which started on 27 May 2014, signing up to the Italian Responsible Pay-

ment Code, the first-ever code in Italy for responsible payments. In taking this step, Mediaset has committed to meeting the payment times agreed on with its suppliers and in general to promoting a culture of prompt, transparent payments.

Mediaset is part of the first group of Italian and multinational companies founding the Code and in compliance with its provisions, it has declared that average payment times contractually defined with its suppliers for 2018 were 60-90 days and relative payment dates were duly complied with.

Note that the selection<sup>43</sup> of suppliers and the goods or services to be acquired is based on the evaluation of various parameters, such as the quality and price of the good or service, guarantees of after-sales services, as well as promptness and efficiency. When selecting suppliers, great attention goes to verifying their reliability and seriousness in terms of compliance with current legislation and regulations governing their activity. Purchasing processes are governed by specific company procedures (LGO), which ensure the timely identification of

suppliers and the traceability of supply channels, which thus helps guarantee the quality and legitimacy of the goods and services purchased.

Furthermore, all purchasing processes are based on the search for the maximum competitive advantage for the Mediaset Group as well as impartiality and the granting of equal opportunities towards each supplier who meets requirements.

The preparation of standard contractual texts or those with specific legal issues is assured by the Group's legal department, and by external lawyers where necessary.

In a bid to make the procurement process more efficient and standardised towards third parties, the Mediaset Group in Italy operates via specialised purchasing centres, whose processes are described in the following paragraphs.

In addition, the Group aims to oversee the certification activities of the various categories of suppliers with a single organizational unit, thus facilitating the identification of any factors that influence the selection and management of the portfolio.

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<sup>43</sup> Article 19 of the Group Code of Ethics



Given the particular business of the companies in the Group, the main purchase activities of all companies fall into three macro areas:

- Acquisition of rights (films, series and sporting events);
- Acquisition of content (entertainment, news, fiction) for the various distribution platforms;
- Acquisition of goods and services to support televised production, cross-production and any activities relating to the Tower Company.

The related procurement processes for each of these areas are described below with evidence of their main purchase poles.

### **Acquisition of Rights**

The Mediaset Group, through **RTI S.p.A.**, based on its scheduling needs for free-to-view and pay TV content, acquires TV series, films (also through the subsidiary **Medusa**), documentaries and sports' programmes.

These acquisitions are negotiated directly with the owners of the contents or their exploitation rights.

The Vendor list for the selection of these suppliers is prepared, updated and submitted to the Control, Risk and Sustainability Committee every six months, and annually to the Executive Committee and the Board of Directors of Mediaset Spa, in compliance with the corporate organizational guidelines.

The assessment includes the verification of any ongoing proceedings, such as liquidation, bankruptcy and mergers, and also includes the transparency of the corporate chain.

Furthermore, suppliers resident in countries with preferential taxation entered on the Black List are not considered for the purposes of this selection.

The selection of suppliers of rights takes place through the widespread coverage of the national and international content distribution market - while also participating in major sector events - giving preference to companies with consolidated experience and expertise: North American majors and

minimajors, European studios, leading Italian and international independent distributors.

In particular, the Group refers to American majors for the acquisition and distribution of cinema rights on free and pay TV, and to European majors nearly entirely for free TV.

Special attention is paid to Italian works and is aimed at both current and library works, through the acquisition by a Group company of cinematographic works from independent producers, and through commercial agreements with companies outside the Group who are specifically dedicated to domestic production.

The Purchasing Rights Department maintains commercial relations with all the major Italian film distributors, through multi-annual volume agreements and prompt procurement.

With regard to multi-annual agreements, the Purchasing Department envisages the purchase not just of individual contents, but stipulates "volume" agreements that include varied product categories, based on the annual production of the supplier. For this reason, the selection and acquisition of individ-

ual contents are conditioned by the contractual terms of the multi-year agreement which define the minimum volumes by product type and the methods for selection.

As for ad hoc acquisitions, selection is carried out based on the approval of the product by the market, or based on the interest shown in that content in countries that are continuously monitored, via information that the suppliers send to the Purchasing Department and by assessing the product directly through the monitoring of satisfaction ratings in cinemas, paid channels and streaming networks.

Once interest has been established for that particular product, *rights acquisition* usually takes place in order to ensure that this is available on different platforms (e.g. Infinity, pay TV and free TV). Given the different needs of the platforms, a percentage of the budget is then allocated to exclusive purchases for each of these.

The following events were significant during 2018:

- the end of an important and strategic two-year package with The Walt Disney

for the exclusive purchase of free-to-view films and television productions; thanks to this agreement, some of Disney and Pixar's record box-office animated films were screened for the first time on Mediaset channels;

- the renewal of the framework agreement with Universal, from 2019 to 2022, only as regards the acquisition of Free and SVOD rights, for films and television productions;
- the start of negotiations for a new two-year package with Twentieth Century Fox, including films and TV productions for 2019 and 2020;
- the purchase of current and library films from:
  - Eagle Pictures, as part of the three-year agreement for the purchase of films, which ended in 2015;
  - Vision Distribution, on the basis of a two-year agreement for the supply of Italian films;
  - Lucky Red for a two-year package of international films;

- Notorious Pictures for a package of family and animated films;

The Group's own film inventory was enhanced during the year with the purchase of the Italian film library of the companies Euro Immobilfin and Film & Video, with approximately 850 films, including major works by influential directors such as Gabriele Salvatores, Giuseppe Tornatore, Carlo Verdone, Mario Monicelli and Vittorio De Sica.

This commitment to local products is because Italian cinema today has a superior appeal, particularly during the prime time slot, compared to international series and films.

Lastly, at the same time as the new Free Tv Focus channel was launched, the purchase of documentary and factual programmes increased, with a portfolio of around 40 independent Italian and international suppliers.

A part of investments in films was made by the subsidiary **Medusa Film**. Each work has full rights, starting from cinema screenings.

The latter is the starting point for exploitation of the product, as well as a basic ele-

ment for the creation of value through subsequent exploitation that can be managed by the Group "non-exclusively" (for example from market practice, TV on demand, pay per view) or "exclusively" (SVOD, free).

Also, constant market monitoring is carried out on film content to identify the main trends of suppliers and products of interest (at international and local level) and products of most interest, as well as gather information in general to guide the broadcast offering.

The film rights acquired in 2018 come from Italian producers, since the publishing line established by the Group for Medusa envisages a focus on Italian cinema, typically comedy. In 2018, given the strategic business objective of Medusa, "core" suppliers were predominantly Italian. These suppliers, as executive producers or original producers, have an almost entirely Italian supply chain. Film shooting and all subsequent post-production processes take place in Italy.

The close relations between Medusa Film and Italian cinema is a guarantee for the selection, production and dissemination of the

best product, given the constant commitment of the Medusa Film and its suppliers to enhancing local artistic and professional excellence. This commitment must always be guaranteed to the highest standards in the industry in order to withstand competition from foreign products.

Lastly, note that the Organizational Guideline on the planning, acquisition and management of film rights states that supply contracts for the purchase of film rights from Italian counterparties must contain clauses that demand suppliers obtain approval for public programming. In the event of non-fulfilment of this clause, Medusa Film has the right to withdraw from the existing contract without jeopardy to any possible claims for damages or, alternatively, to apply further specific clauses (for example the reduction of the fee).

In the event of acquisition of film rights by foreign counterparties, the contracts drawn up must contain clauses that provide for Medusa Film's right to make the cuts necessary to obtain approval for public programming, with prior approval of the production manager and the supplier.

During 2018, bidding for the Serie A football championships took place, with rights assigned to the operators SKY and DAZN.

At the same time, Mediaset Premium gradually stopped broadcasting the Premium Sport, Premium Sport 2 and Premium Calcio channels, between June and August 2018, reaching an agreement, in any case, with DAZN (Perform Group), to include the possibility of including the OTT DAZN platform in its football product offering.

Due to problems with band availability, the HD versions of the entertainment channels, Premium Cinema HD, Premium Cinema Energy HD, Premium Crime HD and Premium Action HD were also closed down.

## Acquisition of content

**Entertainment** - The creation of entertainment programmes requires the acquisition of formats, the signing of executive contracts and the contracting of artistic resources and collaborators.

About half of the suppliers of the Entertainment Area are agencies from across Italy, particularly around Rome and Milan, which ensure the services of actors, document experts, directors, customer designs, stage designers, photography directors, choreographers, dancers, commentators, hosts and guests. The entertainment area and the artistic collaborations area provide for the research and stipulation of contracts with the various artistic staff employed by various Group companies. In particular, around 20 long-term contracts are in place with artistic staff, related to the most important editorial products of scheduled programmes. During 2018, around 1,200 artistic staff were involved, with some 7 thousand contracts stipulated.

Moreover, some 19,300 agreements were entered into during the year for the pur-

chase of formats, user licences, and for contracts and co-productions of editorial products, as well as with entertainment industry professionals.

**News** - The journalism and infotainment area of the Mediaset Group, regarding the Videonews newsdesk, whose supply chain mainly consists of collaborations (about 90%) with the following professional skills:

- Journalists
- Documentalists
- Directors and authors
- Casting organiser
- Costume designers, second costume designers, make-up artists, hairdressers
- Graphic designers
- Speakers, graphic designers and studio animators
- Supply of public, participants, hostesses and stewards

- Contracts to companies for various supplies such as graphic support, translation services and surveys

In addition to these collaborations, the News area purchases licences for various types of technical materials, as well as regional suppliers of materials and lastly part of the purchases goes to press and video agencies.

Videonews has also developed a partnership with Mercati che Fare, a company specializing in the provision of sector content broadcast on the TgCom24 programming schedule.

The suppliers of goods and services in the news area, in 2018, are almost entirely Italian or European, with some exceptions for international press and video agencies.

Selection of suppliers, both for content and collaboration, is determined based on the broadcast needs of the programme while also assessing the professional characteristics and experience of the collaborator.

**Fiction** - The fiction product featured on the Mediaset Group's broadcast offering is carried out through the activities of the subsid-

ary **Taodue** and through the use of independent third-party productions; overall this activity generates about 110 hours of finished product per year, mainly for the Canale 5 early evening programme.

Almost all of the suppliers for this activity are Italian.

The selection of independent producers is fundamentally based on the projects selected by the publisher. The publisher decides based on the broadcasting potential of the identified product, or on the congruence between the project examined and the publishing line of the Group.

Historically, the production of TV series is nearly always Italian, also because of tax incentives. These incentives reward local production, so that Italian productions remain in Italy and also attract opportunities for the executive production of international projects. Since autumn 2016, a revision of the entire fiction offering has been under way, which is leading to the launch of new projects in 2019, as well as to the selection and research of new suppliers. Furthermore, still on the topic of changes in the supply chain, it should be noted that the contractual tem-

plates used hitherto, or the contracting templates, will gradually be replaced by co-production and pre-purchase templates due to the new legislation on tax credit to audiovisual production.

Nearly all Taodue suppliers are Italian. In general, the main categories of suppliers used by Taodue for the realization of their fiction include: actors, screenwriters, directors and copyrights, all selected thanks to continuous scouting in the reference market which makes use of the experience of the Taodue founder, as well as technical production personnel and companies supplying goods and services.

In cases where the use of minors is expected in the production, the company, which is required to comply with specific provisions of the law that regulate its employment, has set up adequate organizational procedures and contractual models shared with the Group's legal support.

**Digital** - Acquisitions and investments provided by the Digital area of the Group focus on the following macro-areas:

- acquisitions in the development of technological products;
- investments in the production of contents;
- investments to promote the distribution of content produced internally by Mediaset newsrooms and productions.

The total number of suppliers involved throughout the year for the various activities is about 104, mainly resident in Italy, while some are from the United States.

Given the speed of changes the digital sector is particularly prone to, selection of suppliers is always up to whichever partner companies demonstrate a marked predisposition to technological and product innovation.

**Radio** - The core activity of the Mediaset Group's **radio stations** is the production and issue of entertainment content and music for Italian radio listeners.

To carry out its business, the radio station segment mainly uses the services of speakers, hosts and writers to create and host

scheduled programmes on its stations 105, Virgin Radio, R101, RMC and Radio Subasio, with 138 Italian freelancers working for it, most of whom are well-known in the Italian radio/TV industry. Most suppliers are therefore national, but some purchases are also made from American suppliers.

The main radio content is Italian and foreign music, which is indirectly acquired through the payment of broadcasting rights to collecting companies specifically appointed for this purpose (Siae, SCF, ..).

The programming schedule produced and distributed by the publishers is then "marketed" by the advertising sales house Medi-amond Spa, appointed on a national level by virtue of specific advertising concession agreements through the sale of space (commercials, mentions, etc.) to third party investors.

Supplier reliability is certified through a continuous accreditation process. The actual selection of suppliers takes place, first of all, through constant market monitoring and careful assessment of company needs.

The offers are assessed based on the needs identified, and then the suppliers are selected and the services required by the radios are contracted.

In the artistic field (mainly speakers, hosts, remunerated guests), where each broadcaster uses different resources depending on the specificity of the radio business, target listeners and audience response, the main factors for the selection are the individual characteristics of each artist. More generally, the direction followed would be to make the selection both using the criteria for the dynamics of the competitive scenarios in which publishers act, and also via the parameters of adequacy and consistency of remuneration/contribution with the market prices of that particular professional category.

#### **Procurement of goods and services**

The procurement processes of products and services supporting cross-operational activities refer to the following supply categories:

- Systems and technologies

- General services - facility / cross-functional
- TV production

The Group operates exclusively with accredited third party suppliers registered on the Vendor list, checking preliminary personal data (company name, country of residence, address, etc.), overall corporate transparency (identification of the final beneficial owner) and the level of concentration of revenues (checking this exceeds 50% threshold for a single customer).

In order to better manage its suppliers, the Group carried out a review and rationalization of supplier data in 2018 of supplier records, to identify subjects with whom the Group has no longer had dealings with for over a year.

Further rationalization of the supply chain continued, based on critical issues linked to expenditure, the regulatory complexity of the merchandise sector subject to the commercial relationship (e.g. suppliers that provide additional legal obligations), the type of contract (e.g. subcontract) and according to the employment of personnel

(employees or direct contractors of the supplier or staff of third parties to whom the service is subcontracted).

It became a requirement to obtain self-certification on a monthly basis from the supplier for contracts involving work services (contracts), signed by the legal representative, stating that the personnel employed in rendering the services are regularly hired, paid and insured, and ensuring compliance and correct fulfilment of all legal obligations regarding worker protection.

Lastly, the management of these processes aims to implement a gradual turnover of suppliers in order to diversify total expenditure over several parties, thus reducing their concentration.

Mediaset has also established that all suppliers must complete all registration phases including the approval and acceptance of the terms and conditions of the contract, the privacy rules, the Code of Ethics of the Group and the compliance programme in order to be classified in the portal dedicated to them.

**EI Towers Group**<sup>44</sup> is specialized in the construction and management of network infrastructures and integrated services for electronic communications, for the benefit of operators in the television, radio and mobile telecommunications sector (GSM/UMTS/LTE operators), wireless (Wi-Fi/Wi-Max operators) and dedicated to public utility or institutions.

EI Towers refers to a company guideline for the procurement of its goods and services which defines the scope of responsibility of the Purchasing Department, listing the types of procurement it is responsible for and to which the category "ordinary and first-time maintenance" was added in 2016.

For all types of procurement, the EI Towers Group uses a Vendor List which includes over 3,000 suppliers. The main suppliers used are classified in order to assess their reliability according to specific parameters.

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<sup>44</sup>In October 2018, Mediaset finalised a partnership with the infrastructure fund F2i SGR in which Mediaset will invest, with a minority share, in 2i Towers Holding, an indirect subsidiary of F2i.

The company 2i Towers Holding holds the entire capital of EI Towers spa, following the take-over bid. Following completion of the take-over bid, the cancellation of the listing of EI Towers was arranged.

In general, procurement takes place almost exclusively among Italian suppliers, and even in the case of specific equipment produced abroad, official Italian distributors are used, though there are a few specific services requested directly abroad. Wherever possible, EI Towers also makes use of local suppliers operating in the immediate vicinity of the locations where services are required. EI Towers assesses and uses suppliers selected together with the Mediaset Group for certain types of purchases, in order to achieve synergies and efficiencies from the shared procurement of goods and services, while for other characteristic purchases, selection and negotiation is managed and performed directly by the Purchasing and Business Development departments of EI Towers.

All suppliers used by the Purchasing Department are previously checked in relation to their financial and economic situation, and for the absence of injurious risks to the company, shareholders and members of both the Board of Directors and of Statutory Auditors. Besides accepting the Code of Ethics of the EI Towers Group (which sets out principles on safeguarding people and protecting the environment), all suppliers



used must provide specific corporate documents, including records of social security payments made. Moreover, in order to mitigate negative impact on occupational health and safety, potential suppliers are requested, during selection and qualification, to provide mandatory technical certification for activities and, as part of each contract, a single document on the assessment of risks from interference (DUVRI) is prepared.

Selection for specific procurement takes place both among suppliers already codified and certified on the El Towers Vendor List (through a cloud platform for procurement) or those already used by the Mediaset Group, and also external sources, subject to certification.

In the management of its supply chain, **Mediaset Group España** promotes responsible practices within its sphere of influence by transmitting environmental, social and ethical standards to its supply chain. Since 2010, contracts with Mediaset España suppliers have contained a clause that establishes their commitment to carry out sustainable activities, namely: respecting workers' rights and union membership, refraining from us-

ing child labour, refusing any kind of slave labour, prohibiting any kind of discrimination, complying with the legislation on the prevention of risks at work, ensuring the safety of employees during working hours and prohibiting any conduct involving corruption, blackmail or extortion.

The contractors also declare that they will comply with environmental regulations and will promote the efficient use of limited resources such as energy, water and raw materials in the course of their activities. In this way, suppliers declare their commitment to an ethical and responsible management.

As regards the types of suppliers and main expenditure items concerning the Mediaset Group in Spain, acquisitions of TV rights and content (78%) account for a higher percentage, followed by technological, professional and production services that together account for around 22%.

Technological services contracted are linked to the purchase of technical materials (essentially hardware, software, cameras, mixers, matrices, audio and video equipment).

Professional services consist mainly of maintenance and development of computer applications and consultancy and audit services.

Production services mainly refer to services of set design, lighting and subtitles.

Contracts with national suppliers cover the vast majority of goods and services purchases, where international suppliers correspond to the negotiation of technological services.



## 6.2 THE SOCIAL IMPACT OF THE GROUP

### ADVANCED TRAINING INITIATIVES

The Mediaset Group continues education programmes for non-employees, designed to develop skills linked with the world of commercial TV, continued in 2018 as in earlier years. The agreement between IULM University and the Mediaset Group was renewed, aimed at the development and improved organisation of the Master's Programme in Journalism, while the Publitalia '80 Master's in Marketing, Digital Communication and Sales Management reached its thirty-first edition.

The Master's in Journalism is the training course for professional journalists, combining the communications and information capabilities of IULM University and Mediaset.

It is a professional training course which is recognised by the National Association of Journalists as the equivalent of an apprenticeship. The objective of this Master's course is to give fledgling journalists the professional armoury of cultural and multi-

media skills they need to access any journalistic speciality and produce multimedia content suitable for all kinds of communication media.

There is also a technology workshop organised and run by the consortium using professionals made available by Mediaset. It stands out among Italian journalism courses as the only one of its kind.

The Mediaset Group also offers its experience and professionalism via the Master's in Marketing, Digital Communication and Sales Management, which was established in 1988 by Publitalia'80.

The Master's in Marketing, Digital Communication and Sales Management is a 13-month full-time post-graduate course with limited admission and targeted at graduates who have decided to start their professional future in the field of marketing, trade marketing, sales and digital communications.

The companies that collaborate on this initiative contribute with teaching and practical sessions and provide a reference point for the labour market as an employer, as well as elements that enable the ongoing updating

of the training programme. As a result, the Master's course always acts as an up-to-date "bridge" between Universities and the Company.

This takes place thanks to Professors from leading Italian and international universities, and contributions from managers holding key positions at Italian and multinational companies.

The Master's course, now at the thirty-first edition, has trained 1,000 participants so far, many of whom hold top management positions today.

The course is accredited by ASFOR, the Italian Association for Management Education, as a specialist Master's course.

Furthermore, the Mediaset Group has had ongoing collaborations with leading Italian universities for some years now, offering students of the main faculties opportunities for integrated curricular internships to complete their studies. During their internship experience, the young undergraduates are given the opportunity to experience the world of work while building professional relationships, interfacing with the organiza-

tional dynamics of the company and using the knowledge acquired during their studies to further hone the skills and experiences that will facilitate their entry into the labour market.

## **INITIATIVES AIMED AT THE COMMUNITY**

Mediaset newspapers receive daily information on philanthropic activities, events and initiatives by non-profit organizations and charitable associations for the protection and support of ethnic minorities, voluntary groups, and institutions of medical research.

Fund-raisers are sponsored by public and private bodies (recognised by the State). All this is certified by government associations (Civil Protection for Italy and AGIRE for the world). Many of these activities are carried out through the support of Mediafriends, a non-profit organization founded in 2003 as a tangible expression of Mediaset's vision of corporate social responsibility.

It is in this scenario that the Group takes to the field alongside Mediafriends and the

Fabbrica del Sorriso, through its own newspaper headlines, providing spaces as daytime packages on generalist networks or on TGCOM24. In particular, visibility is given to projects which Fabbrica del Sorriso manages, not only during their initial presentation and the fund-raising stages, but also during implementation and the end-of-initiative presentation. The "Detto contraddetto" programme showcased the commitment of voluntary associations to social issues through various religious communities operating in the area. The programme "Tg dei Ragazzi", in association with "La città dei bambini e dei ragazzi", is another partnership for educational purposes which received a considerable amount of attention.

During 2018, European partnerships were also stepped up, producing the first multi-partner transnational production with European funding, in association with Mediaset Spain and Ansa, broadcast on Italian and Spanish Mediaset channels. A partnership with the Italian delegation of the European Commission was also started to produce programmes on technological innovation, broadcast on Mediaset channels. Publitalia'80 contributes to the social activities of the Mediaset Group through Me-

diafriends, providing advertising space that is used to promote fund-raising mainly to support the identified charity initiatives. In addition, Publitalia'80 reserves some advertising space for initiatives that support scientific research, training and cultural activities.

During the year, around 5,500 commercials were broadcast with some of the Group's most well-known presenters and stars appearing free of charge.

On the national day of mourning for the funerals of the victims of the Morandi bridge collapse in Genoa, advertising was stopped.

As regards Group radio stations, social commercials were broadcast on the stations free of charge. This activity is included in the advertising sub-concession agreement between Radiomediaset, Monradio and Subasio and the advertising company Medi-amond.

**Mediaset España's** commitment to social welfare is reflected in the "12 Meses" project, which consists of a range of social welfare initiatives such as:

- “*La Tribu del Corazo'n*” an initiative to disseminate a healthy lifestyle and prevent heart disease.
- ‘*No te Hagas el Loco*’ to prevent mental illness caused by the gradual ageing of the population.
- Targeted services to raise awareness of the problem of dyslexia at national level and promote an education suitable for everyone.
- Campaigns run in association with UNHCR and FEDIS, to present information at international level on the plight of children in Ethiopia, fleeing the dictatorship of their country and arriving at refugee camps in Eritrea.
- Activities to sponsor the food bank in Madrid for the poorest sector of the population
- Support for the Sanfilippo Foundation which is dedicated to research into rare diseases that affect the Spanish population.

*12 Meses*, which has over 18 years of experience in social responsibility projects, also launched other awareness raising cam-

paigns. These included infomercials broadcast on the Mediaset España networks, which concentrated on a number of extremely important social issues.

This year, in particular, the Emergency Committee of Mediaset España established an agreement with main international NGOs (Spanish Committee of UNHCR, Acción Contra el Hambre, Médicos del Mundo, Oxfam Intermón, Plan International and World Vision) to act as a single reference point for raising humanitarian funds to help the population in Indonesia affected by the earthquake in October.

Lastly, Mediaset España guaranteed advertising space free of charge for NGOs during 2018, for an estimated value of EUR 9.5 million.

### **6.3 SOCIAL UTILITY INITIATIVES**

#### **MEDIAFRIENDS**

Mediafriends Onlus, a Non-Profit Organization (NPO), was established on June 18,

2003 by Reti Televisive italiane S.p.A., Arnoldo Mondadori Editore S.p.A. and Medusa Film S.p.A..

Mediafriends is a tangible expression of Mediaset’s vision of corporate social responsibility. The association focuses exclusively on achieving social solidarity and does not distribute, even indirectly, profits and advances or any funds, savings and capital throughout the duration of the Company’s existence, unless the destination or distribution are required by law or in favour of other non-profit organizations which, by law or regulations, are part of the same unitary structure; it uses profits or advances to perform institutional activities and anything else directly connected to them.

Mediafriends Onlus carries out the conception, planning, realization and promotion of events, especially television, aimed at collecting resources for the charity and financing of targeted projects in the following sectors:

- Social, health and socio-health assistance;
- Charities;

- Education and training;
- Protection, promotion and enhancement of culture, art and things of artistic and historical interest;
- Protection and enhancement of the environment;
- International cooperation

Mediafriends is responsible for identifying and promoting opportunities for exchange between the world of business and the tertiary sector, in order to promote mutual growth and the well-being of society. It also aims to better coordinate communication skills and deepen relations in the world of entertainment and culture which are expressed by the three original members in order to raise public awareness and solicit donations to fund targeted projects by third sector NGOs.

Over the years, Mediafriends has supported numerous TV and other events to raise funds for the projects of non-profit associations. The most notable of these is Fabbrica del sorriso (the smile factory). In 14 years of activity, over EUR 71 million have been raised and distributed, allowing 154 associa-

tions to implement 268 charity projects in Italy and around the world.

To do this, Mediafriends called on the close collaboration with Mediaset. Firstly, Mediafriends relies on the continuous work of five Mediaset employees, who have designed events and coordinated with both external bodies (service sector, institutions, etc.) and the departments within the company.

Fund-raising initiatives and activities follow one after another throughout the year: fund-raising events through SMS donations, field initiatives in collaboration with recipient groups and editorial events such as the exhibition at the San Domenico Museum complex in Forlì "*L'Eterno e il tempo tra Europa e Affari Euro-Mediterranei*" (Eternity and Time between Michelangelo and Caravaggio) and Mima on Ice at Cervia.

These events were promoted on television and on-line with the collaboration of the various Mediaset Group structures: the presentation of programme projects with services created by journalists in the News Department, fund-raising spaces with commercials created by the Creative Depart-

ment, presence in programs with the collaboration of the production structures of the Entertainment, News, Sport and Publitalia'80 Departments. In some special episodes of "Caduta Libera", broadcast on Canale5 and hosted by Gerry Scotti, the TV prize money was earmarked for fund-raising. During the Football World Cup in Russia, broadcast on Mediaset channels, the most popular sports' presenters helped raised funds for Mediafriends, taking part in a commercial and launching appeals, during match commentaries and programmes dedicated to the World Cup, in aid of projects supporting children who live in poverty and hardship.

Together with Publitalia'80, Mediafriends manages a pool of social communications, offering space free of charge for the broadcasting of social infomercials and creating times dedicated to social issues within its programme schedule.

Lastly, the Mediafriends site and Mediafriends slot on the TGCOM24 site, as well as and the Facebook Page of Fabbrica del Sorriso, hosted campaigns for charities and numerous videos produced on some of the most important social issues.

More specifically, during 2018, the fundraising project for four associations, *Fabbrica del Sorriso 2018*, was launched and will end on 30 June 2019. The 4 beneficiary associations are: *Amref*, *Mission Bambini*, *Comunità di Sant'Egidio* and *A regola d'Arte*.

The projects will raise funds to tackle problems including poverty, hardship and isolation in Italy and the world.

In particular "*A Regola d'Arte*" (*ARdA*) is an innovative project aimed at disadvantaged Italian and foreign children living in the suburbs of Italian cities and seeks to promote integration and social development through music and rugby. Rugby provides models for behaviour (unity, loyalty, respect, managing aggression), while music, in addition to building a grand Italian heritage, provides the possibility of cultural growth to those who, for reasons not linked to their merits, would not have the opportunity to access it. After consolidating and expanding this initiative in 2016, it was then continued throughout 2018. Currently, it entails the funding and supervision by Mediafriends of 8 ARdA centres: three schools (two in the Baggio area and one in Via Dolci) and a parish recreation centre (in the Giambellino ar-

ea) and two youth centres (Barrios, in the Barona area) and La Strada (in the Trecca area, via Salomone) in Milan, plus another 2 centres, in Palermo, developed in association with Ciai Onlus and in L'Aquila with Action Aid, assisting a total of 280 children.

Mediafriends has been supporting the Festival del Cinema Nuovo di Gorgonzola - cinema festival in Gorgonzola for years. This international competition awards short films featuring disabled actors and is promoted by Mediaset through communication campaigns produced in conjunction with its Creative Department. It takes part in this event which is held every two years, with over 80 works being presented during the 2018 edition. Selected from a jury chaired by Pupi Avati, the final works were then presented over 4 evenings at Melzo and Gorgonzola. To promote the Festival, Mediafriends organised a presentation during the Giffoni Film Festival held at the Italian Film Archives in Milan.

The project "I viaggi di Stojan - Around the world", reporting on projects funded by Mediafriends around the world came to an end in 2018. In the project, the couple Anna and Fabio Stojan cross 5 continents by motor-

bike to recount how the associations are spending the funding received from Mediafriends. The material collected is a valuable indicator of the projects' progress.

Promoted by Mediafriends and hosted by a team of experts from the Libera Università di Lingue e Comunicazione IULM University, Milan, directed by Professor Guido di Fraia, the research work "Commercials and Messages in the third sector" was produced on the evolution of language in social communication in Italy over the last 30 years. The research, based on a qualitative and quantitative methodology, analysed the communication models of the Third Sector, reconstructing trends, guidelines and specific aspects related, on the one hand, to the channel (television versus digital) and on the other, to the dimensions of monitored entities. The research results were presented in May in the University's lecture theatre.

During 2018, Mediafriends started an initiative "Una Furtiva Nota" dedicated to the elderly. This project stems from the idea that art, care, education and therapy all have a fundamental role in social care. At the heart of the project, conducted in partnership with the Don Gnocchi Foundation, is the

show “Opera Guitta” an experimental artistic work bringing together opera, clown performance and theatre in the simplest way possible. Written and directed by Antonio Vergamini, an international director, the work was presented at six care homes for the elderly in northern Italy, preceded by preparatory sessions with the residents



## **7 ■ Environment**





## 7.1 COMMITMENT TO ENVIRONMENTAL PROTECTION

The Group's commitment to the environment is also referred to within the Group's Code of Ethics<sup>45</sup>, with special reference to the conduct and provisions on environmental protection, which highlight the central role of environmental protection as a key factor in the company.

The Mediaset Group is inspired by the principles of respect and protection of the environment and the local territory, and their impact on the health of humans and other living species. To achieve this goal, all Mediaset business activity complies with the

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45 The new Code of Ethics that will be adopted by Mediaset S.p.A. and its subsidiaries during 2019, includes a specific provision: Article 26 (Environmental protection) "1. The Mediaset Group considers environmental protection as key to business activities and adopts principles that respect and safeguard the environment and local area, considered to be of the utmost importance because of their intrinsic value and impact on the health of human beings and other living creatures. For this purpose, the Mediaset Group is committed to complying with applicable legislation and takes action so that its business operations, in any sector, conform to the highest standards of environmental compatibility and safety.

2. Special attention is paid to collecting and disposing of waste produced by company operations, which is sorted and recycled as far as possible, with a view to minimising environmental impact, as provided for by applicable legislation and best operating practices."

highest standards of compatibility and environmental safety.

As proof of this commitment, the Group has adopted a specific Corporate Organizational Guideline (L.G.O. "Requirements for environmental protection") which describes the activities carried out for the collection and disposal of waste produced, which is treated according to the principles of selective separation and recycling of waste wherever possible and as required by current laws and best operating practices.

## 7.2 MANAGEMENT OF ELECTROMAGNETIC EMISSIONS

The Mediaset Group Italia<sup>46</sup> has always been committed to respecting the sector legislation on electromagnetic emissions.

Elettronica Industriale SpA, a company controlled by the Mediaset Group, is required to present documentation to the local authorities certifying compliance with the field lim-

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46 The issue of electromagnetism is taken into consideration only in Italy as the Mediaset Group in Spain does not directly manage the signal transmission network.

its of plants for the installation of new plants or for the modification of existing plants.

In this regard, it should be noted that 93 plants were assessed in 2018 due to authorization requests.

These activities allow the Group to monitor the impact produced by any changes made to the plants throughout the area and ensure the non-existence of any negative effects due to radio-television signal emissions. The applications must obligatorily contain all electromagnetic impact assessments of the plants subject to the authorization request.

The Electromagnetic Impact Analysis (EIA) for larger plants are extremely thorough and include "pre-existing electromagnetic background" levels and the impact of that individual plant.<sup>47</sup>The reference standards for the Electromagnetic Impact Analysis are those reported in Law 36/2001 and include the maximum permitted levels to which the population can be subjected.

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47 The maximum exposure limits allowed by current legislation are 6 V/m in homes and related outbuildings and 20 V/m in public places (see also par. 3.3).

Furthermore, while complying with regulatory limits, Elettronica Industriale S.p.A. continuously assesses any specific provisions set by individual municipalities as well as any indications of any provincial, state and international location plans for transmission sites.

As regards the assessment of the overall impact of the transmission sites (within which Elettronica Industriale SpA plants also operate), the role of the ARPA departmental agencies (Regional Agency for Environment Protection) must also be taken into consideration, which is responsible for monitoring activities through periodic analysis and sampling of the plants, with particular attention to more prone units of the company.

As part of managing relations with public bodies, Elettronica Industriale S.p.A. always provides absolute availability for inspections and collaborates with the ARPA, even in a preventive manner, using comparison activities during meetings with those public bodies.

During the year in question (2018) a fine of EUR 14,671 was received, concerning the Monte Morello site (Florence), due to the

failure to provide formal notice in 2011 to the relevant local authority on the digital transition. The local environmental agency (Arpa) of Tuscany also identified some nonconformities in the information plates located outside this site.

The facilities managed by Radio Mediaset are generally hosted at non-owned sites.

The RadioMediaset Department independently submits applications to local authorities, to obtain authorisation to amend existing and/or start up new facilities, or is assisted in submitting applications by specialised companies and/or the tower operator, giving them necessary indications and technical documents.

During 2018, 54 applications for authorisation were submitted and assessed, and ARPA carried out 27 monitoring surveys.

The procedure adopted by the Group for the radio station in order to monitor electromagnetic pollution and safeguard the community is divided into the following activities:

- Execution of an Electromagnetic Impact Analysis (EIA) for each plant it intends to install ex novo or whose emission characteristics are to be modified by specialised third-party companies and personnel in possession of the qualifications required by current legislation, in order to ensure compliance with the exposure limits, attention thresholds and quality objectives for electromagnetic emissions as required by current legislation;
- Selection and contracting of the aforementioned counterparties in line with the provisions of the current company guidelines;
- Submission of the request for installation and operation of radio systems (including the aforementioned EIA) to the Single Contact Point for Productive Activity (SUAP) of the municipality responsible for that area by a company lawyer or by the company/professional who carried out the aforementioned analysis, by delegation of a company representative;
- Assessment of the EIA by the Regional Agency for Environmental Protection (ARPA) for that area. Issue of the author-

ization for installation and operation of radio systems by the competent Municipality, subject to obtaining permission from the local ARPA;

- Continuous monitoring of the operation of Company radio systems by dedicated function via verification of the data acquired by the systems through telemetry. Where anomalies are detected that could cause the systems to operate at higher energy levels than those envisaged, the function will promptly alert the competent maintenance companies in order to resolve any anomalies found;
- Periodic assessment of the operation of facilities by maintenance contractors (in 2018, the maintenance of transmission equipment was overseen by 87 external companies for a total of 1,663 towers used by Radio Studio 105 spa, Virgin Radio Italy Spa, RMC Italia Spa, Monradio Srl, Radio Subasio Srl and Radio Aut Srl);
- In recent years, complete mapping of all the radio systems managed by the Mediaset Group Italia was performed by a specialised third-party company, aimed at assessing the risks pertaining to individual plants and preparing the related

RADs (Risk Assessment Document). Measurements were carried out on the overall level of electromagnetic emissions from the stations where radio systems operated by the Group are installed in Italy (these were cumulative measurements, bearing in mind that there may be several systems belonging to various radio companies at a single location) and, where necessary, measurements on the emissions level of the Group's systems (narrow measurements), in order to ensure compliance with the electromagnetic emission threshold imposed by current legislation. Where anomalies were detected, installers/maintenance technicians were promptly alerted to resolve them.

During 2018, on fines were received; only 4 conformity reductions were adopted (following orders and notices) for 6 sites for which ARPA identified nonconforming alert values due to multiple exposure involving 9 managed towers and other towers of third parties (which could require the involvement of the Tower Operator to be solved) out of a total of approximately 2000 towers.

The relative RadioMediaset department also collected data to produce the Risk Assessment Document, including measurements of the electromagnetic field that can be used if necessary to identify and adopt measures to remedy the most critical aspects. During 2018, 730 monitoring surveys were conducted for this purpose.

There were no risks to tower operators, since the electromagnetic levels detected are completely within the thresholds prescribed by law.

In any case, in an effort to further reduce risk, the power of the transmitting plants is reduced during any work at height on the pylon/pole, thus keeping the exposure of workers to electromagnetic fields to a minimum.

### 7.3 WASTE MANAGEMENT

In order to minimise its impact on the local territory, the Mediaset Group, including foreign investees, constantly monitors its consumption of raw materials and the waste produced by its activities.

The Group mainly produces waste connected to its specific activity, such as mixed packaging materials, toner, electrical and electronic equipment and bulky waste (e.g. sets), and hazardous waste composed of materials from ordinary maintenance activities (e.g. neon lights and batteries). Lastly, it is worth mentioning the possible production of hazardous waste due to the hospital service.

All refuse produced is managed in compliance with current regulations on the environment and waste collection is managed using appropriate bins that have been approved for hazardous waste.

The Mediaset Group also adopts oversight activities on the correct administrative and legal management of the refuse through the supervision of the transport process, in

close coordination with the suppliers and in compliance with the law.

The verification of the authorizations and the administrative management of the waste for all premises that are part of the Cologno Monzese headquarters are carried out using specific software (ECOSWEB).

It should also be noted that the separate collection of urban waste has always been present within the company.

During 2018, the Group produced around 57 tons of hazardous waste. In particular, hazardous waste accounts for about 3% of the total waste produced, while non-hazardous waste accounts for about 97%.

Given its specific business activity, the **EI Towers Group** produces different types of waste such as mixed packaging materials, wooden packaging, filtering materials, plastic, paper and cardboard, wood, iron, toner printers, batteries, cables, obsolete equipment (such as computers and monitors), waste oils from engines, gears and lubrication. In 2018, waste produced amounted to around 241 tons (of which 28 tons compris-

ing hazardous waste and some 213 tons of non-hazardous waste), disposed of at specific sites. In 2018, hazardous waste accounted for 12% of the total and consisted of batteries and engine, gear and lubricating oils. All hazardous waste was transported outside the Group for proper disposal in landfills, in the manner laid out by the management system. For the transport of dangerous goods by road, El Towers complies with the rules set by the European Agreement concerning International Carriage of Dangerous Goods by Road (ADR), guaranteeing the requirements, such as the appropriate identification of the packaging, separation from to other waste, verification of the transporter in terms of the authorizations required (both for the means of transport and for the driver, as well as for the safety equipment required on the vehicle itself).

The **Mediaset Group España** monitors the consumption of paper, CDs and toners in all its offices. This monitoring focuses specifically on the Fuencarral and Villaviciosa offices in Madrid, where all activities related to audio-visual production are more concentrated, and involves 97% of the workforce.

In 2018, all waste generated by the Mediaset Group España was managed appropriately, promoting recycling activities according to national legislation.

During 2018, Mediaset España began activities to eliminate non-biodegradable plastic waste from the canteen and adjacent bar area.

In compliance with the regulations governing hazardous and non-hazardous waste, the Group has appointed a specialised third

party company for its management.

Waste electrical and electronic equipment is managed by technical warehouse workers, while organic waste produced by the canteen is collected and separated by kitchen personnel according to the type of material.

Hazardous waste included batteries, fluorescent tubes and printer material.

### WASTE BY TYPE AND METHOD OF DISPOSAL (TONNES) MEDIASET GROUP

	2018			2017		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Recycle	21	77	<b>98</b>			
Composting	0	0.102	<b>0.10</b>			
Recovery[*]	36	1,358	<b>1,394</b>	28	1,478	<b>1,506</b>
Dump[**]	0	324	<b>324</b>	1	38	<b>39</b>
Other	0.25	0	<b>0.25</b>	1	77	<b>78</b>
<b>Total</b>	<b>57</b>	<b>1,759</b>	<b>1,816</b>	<b>30</b>	<b>1,593</b>	<b>1,623</b>

NOTE: The 2017 amounts have been restated as a result of the communication of the actual weight of waste produced in 2017 by El Towers Group. The correct data is officially communicated, through MUD Document, the following financial year from May onwards. Furthermore, waste disposal methods for El Towers Group have been restated to include recovery as a disposal method.

[\*] Includes recovery via energy production) R-13 – R-5 .

[\*\*] Preliminary dumping pending one of the operations indicated in points D1to D14 (not including temporary dumping, pending collection, in the place of production)

## 7.4 MANAGEMENT OF ENERGY CONSUMPTION AND EMISSIONS<sup>48</sup>

The main energy sources used by the Mediaset Group, both in Italy and in Spain and by other foreign investees, for the performance of its activities are divided into four types: electricity, natural gas, diesel and fuel.

The highest percentage of energy consumption is for electricity, used in all lighting, both internal and external, and to power office equipment and air conditioning systems. During 2018, old printers were replaced at the Group's sites, and new products were selected that deliver the same standard of performance but with a lower environmental impact.

In some locations, electricity is also used to power the heating and cooling units and for powering data centres. In 2018, around 609 TJ of electricity was consumed, approximately 1% more than in 2017.

<sup>48</sup> The Group's energy consumption does not include the company Medset, since it has a much lower energy consumption, nor does it include the recently acquired Radio Monte Carlo.

### ENERGY CONSUMPTION BY GROUP BY SOURCE (TJ)[\*]

	2018	2017
Electricity purchased	609	604
Natural gas	44	43
Diesel	58	59
Petrol	1	1
<b>Total</b>	<b>713</b>	<b>707</b>

[\*] 2018 Data: Lower heating value of natural gas 0.035 GJ/m<sup>3</sup>, average density of diesel 0.840 kg/litre, lower heating value of diesel 42,877 GJ/ton (Sources: Ministry of the Environment, Territory & Sea, Table of National Standard Parameters 2018; Department for Environment, Food & Rural Affairs, Conversion factors 2018). 2017 Data: Lower heating value of natural gas 0.035 GJ/m<sup>3</sup>, average density of diesel 0.837 kg/litre, lower heating value of diesel 42,877 GJ/ton, average density of petrol 0.730 kg/litre, lower heating value of petrol 42,817 GJ/ton (Sources: Ministry of the Environment, Territory & Sea, table of national standard parameters 2017; Department for Environment, Food & Rural Affairs, Conversion factors 2017).

### EMISSIONS OF GREENHOUSE GASES (TONNES OF CO<sub>2</sub>) BY THE GROUP[\*]

	2018	2017
Scope 1[**]	6,814	6,844
Scope 2[***]		
Location-based approach	59,192	61,662
Market-based approach	72,913	69,784

[\*] Only CO<sub>2</sub> emissions were included in the calculation of Scope 1 and Scope 2 emissions.

[\*\*] 2018 data: Natural gas emission coefficient of 0.001972 tCO<sub>2</sub>/Sm<sup>3</sup>, diesel emission coefficient 3.155 tCO<sub>2</sub>/ton, petrol emission coefficient 3.14 tCO<sub>2</sub>/ton (source: Ministry of the Environment, Territory & Sea, table of national standard parameters 2018). 2017 data: Natural gas emission coefficient of 0.001964 tCO<sub>2</sub>/Sm<sup>3</sup>, diesel emission coefficient 3.155 tCO<sub>2</sub>/ton, petrol emission coefficient 3.14 tCO<sub>2</sub>/ton (source: Ministry of the Environment, Territory & Sea, table of national standard parameters 2017).

In particular, it should be noted that all electricity purchased by the **Mediaset Group in Spain** (equal to about 16.4 GWh in 2018) is certified and comes from renewable sources through Guarantees of Origin. This consumption is mainly due to the technical equipment of the studios, including recording, transmission and post-production equipment, as well as computer equipment and air conditioning in IT rooms.

During 2018, operations continued to achieve greater efficiency in consumption by replacing obsolete equipment that was less energy efficiency (as mentioned above).

Moreover, solar panels (approximately 34 m<sup>2</sup>) were installed on a number of buildings during 2018.

Natural gas, which is a minor part of total energy consumption (stable compared to 2017 figures), is used to heat offices, laboratories and warehouses only.

However, the consumption of diesel and petrol in 2018, mainly due to the company car fleet and the operation of a few generators, amounted to about 58 TJ, down by around 1.7% compared to 2017.

The Mediaset Group company fleet consists of leased cars and a car park specifically owned for the El Towers Group and the Mediaset Group España. In particular, vehicles owned by the El Towers Group include 37 fully equipped vans, used to control the quality of the television signal in the area and 4 owned cars used for commercial purposes by the client's staff. The increase in consumption is due to the 204 long-term hire vehicles, used by both managers and employees to move between transmission sites to carry out maintenance, restorations, activations and installations.

In 2018, the Group's activities generated greenhouse gas emissions due to direct energy consumption (natural gas, petrol and diesel) and indirect energy consumption (electricity) of the Group itself. In particular, a high proportion of the greenhouse gas emissions are due to Scope 2 emissions, for which Mediaset is indirectly responsible, as it derives from the electricity supply purchased externally. However, the zero contribution of the Mediaset Group España to these type of emissions (according to the Market-based approach) is noteworthy, since all electricity of the Group is covered by certificates of guarantee of origin.

The reporting standard used (GRI Sustainability Reporting Standards 2016) provides for two different approaches to calculating Scope 2 emissions: "location-based" and "market-based". The "location-based" approach envisages the use of a national average emission factor related to the specific national energy mix for the production of electricity (emission coefficient used for Italy of 360 gCO<sub>2</sub>/kWh, emission coefficient used for Spain of 254 gCO<sub>2</sub>/kWh, Source: Terna, International Comparisons 2017). The "Market-based" approach envisages the use of an emission factor defined on a contractual basis with the electricity supplier. Given the absence of specific contractual agreements between the companies of the Mediaset Group Italia and the electricity supplier (e.g. purchase of Guarantees of Origin), the emission factor relating to the national "residual mix" was used for this approach (emission coefficient used in Italy of 477 gCO<sub>2</sub>/kWh, Source: Association of Issuing Bodies, European Residual Mixes 2017, 2017). Note too that Mediaset Group companies in Spain do not use Scope 2 emissions for the "market-based" approach since they purchase electricity from renewable sources certified with Guarantees of Origin.

However, the direct emissions of Scope 1 generated directly within the Group due to the use of fuels for heating, generators and the car fleet represent a smaller proportion, which also demonstrates the profuse commitment and initiatives to protect the environment promoted during the year.

In reference to the sustainable management of greenhouse gas emissions, it should be noted that the **Mediaset Group España** identifies, measures and manages its emissions and establishes appropriate measures for their reduction. In addition to quantifying the emissions generated, the company also makes this information public, which demonstrates its degree of awareness and transparency in this sector. The commitment of the Mediaset Group España to transparency is reflected in its participation in the Carbon Disclosure Project (CDP) initiative since 2009, with which the Group agrees to publicise its objectives and the methods implemented to reduce greenhouse gas emissions.

Furthermore, it should be noted that in order to reduce greenhouse gas emissions as much as possible and raise awareness

among its employees, the Mediaset Group offers its staff a shuttle service linking the company's premises with metro stations over a wide range of hours in order to encourage greater use of public transport.

In this regard, the fleet of vehicles owned by Mediaset España includes 8 diesel vehicles for transport, plus driver; 1 minibus for the transport of employees and a fleet of long-term hire cars used exclusively by the Group's senior managers, comprising 42 diesel cars, 8 petrol cars and 7 hybrid cars.





## GRI Content Index



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<a href="#">Media Indicators - Content creation (2014)</a>		
<b>M2</b>	Methodology for assessing and monitoring adherence to content creation values	65-77
<b>M3</b>	Actions taken to improve adherence to content creation values, and results obtained	65-77

CONTENT DISSEMINATION		
<a href="#">GRI 103: Management Approach (2016)</a>		
<b>103-1 + M</b>	Explanation of the material topic and its Boundary	27-31
<b>103-2 + M</b>	The management approach and its components	73-80
<b>103-3 + M</b>	Evaluation of the management approach	73-80
<a href="#">Media Indicators - Content dissemination (2014)</a>		
<b>M4</b>	Actions taken to improve performance in relation to content dissemination issues (accessibility and protection of vulnerable audiences and informed decision making) and results obtained	73-80
<b>M5</b>	Number and nature of responses (feedback/complaints) related to content dissemination, including protection of vulnerable audiences and informed decision making and accessibility, and processes for addressing these responses	73-80
AUDIENCE INTERACTION		
<a href="#">GRI 103: Management Approach (2016)</a>		
<b>103-1 + M</b>	Explanation of the material topic and its Boundary	27-31
<b>103-2 + M</b>	The management approach and its components	86-89
<b>103-3 + M</b>	Evaluation of the management approach	86-89
<a href="#">Media Indicators - Audience interaction (2014)</a>		
<b>M6</b>	Methods to interact with audiences and results	86-89
ELECTROMAGNETIC EMISSION		
<a href="#">GRI 103: Management Approach (2016)</a>		
<b>103-1</b>	Explanation of the material topic and its Boundary	27-31
<b>103-2</b>	The management approach and its components	135-136
<b>103-3</b>	Evaluation of the management approach	135-136
RISK MANAGEMET		
<a href="#">GRI 103: Management Approach (2016)</a>		
<b>103-1</b>	Explanation of the material topic and its Boundary	27-31
<b>103-2</b>	The management approach and its components	50-53, 61-62, 103
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CORPORATE GOVERNANCE		
<a href="#">GRI 103: Management Approach (2016)</a>		
<b>103-1</b>	Explanation of the material topic and its Boundary	27-31
<b>103-2</b>	The management approach and its components	43-45
<b>103-3</b>	Evaluation of the management approach	43-45



## Report of the Independent Audit Firm



**INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND  
ART. 5 OF CONSOB REGULATION N. 20267/2018**

**To the Board of Directors of  
Mediaset S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Mediaset S.p.A. and its subsidiaries (hereinafter the "Group" or "Mediaset Group") as of December 31, 2018 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 12, 2019 (hereinafter the "NFS").

**Responsibility of the Directors and the Board of Statutory Auditors for the NFS**

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and *Global Reporting Initiative Sustainability Reporting Standards*" (hereinafter "GRI Standards") established in 2016 by *Global Reporting Initiative* (GRI), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

**Auditor's Independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1* (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Auditor's responsibility**

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Mediaset Group.
4. Understanding of the following matters:
  - Business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree.
  - Policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators.
  - Main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report.

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Mediaset S.p.A. and with the employees of EI Towers S.p.A. (subsidiary of the Group until the end of the third quarter), Elettronica Industriale S.p.A., Mediaset España Comunicación S.A., Publitalia '80 S.p.A., Radio Mediaset S.p.A., R.T.I. S.p.A., and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.



In addition, for material information, taking into consideration the Group's activities and characteristics:

- At the parent company's and subsidiaries' level:
  - a) With regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) With regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- For the following companies, Mediaset S.p.A., EI Towers S.p.A., Mediaset España Comunicación S.A., Radio Mediaset S.p.A., R.T.I S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

**Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Mediaset Group as of December 31, 2018 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Patrizia Arienti**  
Partner

Milan, Italy  
March 27, 2019

*This report has been translated into the English language solely for the convenience of international readers.*