



SUSTAINABILITY
REPORT
2014

**Sustainability
report
2014**



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LETTER TO STAKEHOLDERS

6



Marina Berlusconi
Chairman
Mondadori Group

In the last year we were able to observe the first key results of the process we launched in 2013 and we began to face the new challenges related to the second phase of this path, dedicated to the growth of the company.

The work carried out in 2014 was complex but generated a positive impact in both the short-term and for the mid- to long-term; of course, there is still much to do to complete the transition from traditional publishing house to media company but we have now acquired a method and a vision that will guide us over the next few years.

The most relevant result was that of securing the economic stability of the Group, laying also the organisational and structural foundations for future development. A pledge made to our shareholders, employees and collaborators, and suppliers, which had to be honoured.

The new business model has now been established on the understanding that, unlike in the past, it will, by definition, exist in a state of continuous change given the speed and evolution of technology and the media in general.

We have launched new branches, opening our horizons to include activities that can complete our traditional and indispensable business areas, enriching them and helping them to develop in a total information and entertainment context while ensuring variety and diversity at the same time.

The path we have travelled in the last two years has taught us to look at the things we are doing in a new light and has made it necessary to describe the evolution of the company in a new way. For this reason we have decided to switch to the GRI-G4 sustainability reporting standard, which is more geared to highlighting the overall strategies of an entity as regards environmental, economic and social issues. And, in a vision that encompasses several years, we have decided that the 2014

Sustainability Report should be published at the same time as the Annual Report.

In the 2014 Sustainability Report we wanted to outline the process of evolution that Mondadori has undertaken, safeguarding the good practices with which the company has always been associated and acquiring others related to the transformation of the businesses, the market contexts and society. The outcome is a snapshot of the company that highlights our daily commitment to our stakeholders, from the more traditional ones to those acquired during the metamorphosis of our activities: we want to continue to spread ideas and offer opportunities for dialogue, because this is the key mission of a publisher, and at the same time we want to meet the new needs of the public, proposing innovative products and services of the highest possible quality.

Our concern as regards the quality of our information, content and services is neither trivial nor to be taken for granted because it requires constant attention, the utmost professionalism and an ability to continuously evolve.

Continue to drive change: this is the commitment that we have to take for the future, to foster the growth and creation of sustainable values.



THE SUSTAINABILITY TIMELINE AT MONDADORI

1907

Arnoldo Mondadori establishes *Luce!*, the first magazine with which he started his publishing activity in Ostiglia (Mantua).

1919

The offices of the publishing house are moved to Milan.

1935

Thanks to the contract with Walt Disney, Mondadori stipulates Italy's first large international agreement in the publishing industry, which will last until 1988.

1938

Launch of *Grazia*, the first large distribution women's weekly.

1966

Mondadori contributes to the aid operations following the flooding of Florence, sending transport and aid to booksellers, the historic libraries in the city and prestigious institutions such as the Gabinetto Vieusseux.

1965

The Italian book market undergoes a true revolution with the launch of the Oscar series, the first budget price paperbacks sold also at newsstands.

1963

The *Epoca*, *Grazia*, *Confidenze* and *Topolino* magazines organise events, launch fundraising activities and arrange for the sending of transport to meet the primary and most urgent needs of the people of Longarone - children in particular - affected by the collapse of the Vajont Dam.

1975

Inauguration of the new Mondadori headquarters at Segrate, designed by one of the most renowned architects of the 20th century, Oscar Niemeyer.

1977

Founding of Fondazione Arnoldo e Alberto Mondadori, recognised by Presidential Decree in 1979. The Fondazione conserves, promotes and enables the public to access the personal and professional stories of the two publishers and the publishing houses they founded (Mondadori and Saggiatore). Since the mid-1990s, it has been a center of research and study on Italy's publishing culture, part of a network of similar organisations in Europe and across the world.

2007

Mondadori celebrates its 100th anniversary.

2005

The Group participates in aid activities for the people affected by the tsunami of December 2004. In association with NGO Intersos and in accordance with the Italian Civil Defence, in Sri Lanka (area assigned to Italian aid) Mondadori finances the building of the Vocational Training Centre for adolescents in the Muthur area, in the north-east of the country. Membership of Sodalitas, Italy's largest association within Confindustria, which seeks to promote corporate social responsibility towards the environment, the community, the market and the working world.

2010

Launch of the Sustainability Committee in September, presided over by the Director of External Relations and Communications and made up of representatives of the main corporate departments. The Committee, which meets once a month and reports directly to the CEO, has consultative and advisory functions and is tasked with formulating proposals relating to strategic and sustainability policies. In December the Committee approves the 2011 Sustainability Plan.

2011

Mondadori joins the CSR Manager Network, the national association of professionals from all types of organisations (businesses, business foundations, professional societies, public administration, non-profit organisations) dedicated to the management of socio-environmental and sustainability problems connected with company activities. The Sustainability Committee approves the first Social Report, related to 2010 and created for internal use; the Report is later approved by the Board of Directors. In December the Sustainability Committee approves the 2012 Sustainability Plan.

1948

Mondadori publishes the Biblioteca Moderna Mondadori, the first series of quality books at budget prices designed to reach a large number of readers, mainly young people.

1950

With the magazine *Epoca*, Mondadori launches the American model of illustrated journalism in Italy.

1954

The opening of the first "Mondadori per Voi" bookshop in the center of Milan sees the company begin to focus closer and more dynamic attention on its customers. The founding philosophy of the chain of stores that quickly develops is encompassed by the name: no longer stern bookshops that breed unease but places for those that read, write and publish to meet and interact. This service model designed for the customer and their needs inspires many other initiatives, such as the competitions launched by the women's magazines, the trips organised by *Grazia* for its readers, and the children's events arranged by the Mickey Mouse Club: trips, gift packs for children in need, visits to Disneyland, sports tournaments.

1960

Launch of Club degli Editori, Italy's first mail-order book club.

1982

The Group is floated on the Italian Stock Exchange in Milan.

1989

The Arnaldo Mondadori Editore Pension Fund, a private pension fund, and the FISS, a supplementary health care fund which partially covers healthcare expenses and makes pay-outs in the case of specific events, are set up for employees of the Group companies.

1995

With the launch of Miti, Italy's first series of budget paperbacks, sold in all the key retail channels, Mondadori implements a new mass-market strategy designed to expand the book market in Italy.

2003

Founding of Mediafriends, a non-profit organisation jointly owned by Mondadori, Mediaset and Medusa. The association organises, holds and promotes events aimed at raising funds for charity and financing various kinds of projects: social welfare and healthcare; teaching and training; the protection, promotion and enhancement of culture, art and things of artistic and historic interest; the protection and promotion of nature and the environment; international cooperation.

2002

The Group drafts and publishes its first Code of Ethics. In 2012 this document, completely redesigned and reformulated, is expanded to all subsidiaries.

2012

The Board of Directors approves the new Code of Ethics and the 2011 Sustainability Report. Mondadori, participating in the CDP (Carbon Disclosure Project) Italy 2012 for the first time, posts one of the highest disclosure scores of 84/100. The company launches the Sustainability section on its corporate website. In the annual evaluation of the corporate websites of Italian public companies (Kwd Webranking 2013 Italy) the website ranks 9th, taking the title of best improver (+9.9 points compared with the previous year) thanks to the addition of the new section.

2013

The Group re-organises its operating and management structures in order to concentrate on its core activities (trade and educational books; magazines in Italy, France and international network; retail and radio) and give new impetus to the development of the digital business. Third edition of the Sustainability Report.

2014

Mondadori Pubblicità's activities relating to the sale of advertising space in magazines and on radio stations are integrated in Mediamond - the joint venture with Publitalia '80; the Group acquires social reading platform aNobii and digital marketing company Kiver; newco Mondadori Libri S.p.A., lead company for all activities in the Books area, is set up. In November the Sustainability Committee carries out a new materiality analysis ahead of drafting the 2014 Sustainability Report according to the GRI G4 standard, aligning the production and publication times with those of the consolidated financial statements.



FROM PUBLISHING HOUSE TO MEDIA COMPANY: STRATEGIES, RESULTS, OBJECTIVES

**The digital
evolution**

**The Mondadori
business model and
stakeholders**

**Management
of the
supply chain**

**Material issues
for Mondadori**

**Governance
and control
model**

**Editorial
independence**

**Internal control and
risk management
system**

**Group economic
performance**

The transformation process launched by Mondadori in 2013 is designed to accelerate the development of the Group - a traditional publishing house that has been in business for over a hundred years - in the complex and continually evolving universe of multimedia communications.

This led to a painstaking economic consolidation process within the Group which, after two years of losses, once again recorded a profit in 2014 with approx. euro 1,177.5 million in sales and a consolidated net profit of euro 0.6 million.

The Group consolidated its standing as one of Europe's leading publishing houses in the books and magazines sectors; with more than 50 subsidiaries and associated companies and 3,123 employees worldwide, Mondadori operates in the main traditional and innovative publishing business fields, from the creation of products and services to their retailing and distribution.

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Even if beyond the reporting scope, it should be noted that the Group operates outside Italy through Mondadori France and the foreign editions of highly recognisable Italian magazines like *Grazia*, *Interni*, *Sale&Pepe*, *Flair*, *Icon* and *Casaviva*. In 2014 (excluding Italian editions), 30 editions of Mondadori magazines were circulated worldwide through joint ventures or licensing agreements; of these, 22 comprise the *Grazia* network. The launch of the *Graziashop.com* market place (November 2014), following the acquisition of the *London-Boutiques.com* e-commerce platform, can also be mentioned here.

Finally, it should be underlined that in 2014 the advertising business area is also outside the reporting scope of this Sustainability Report as the transfer of the business relative to the sale of advertising space in magazines and on radio stations from subsidiary Mondadori Pubblicità S.p.A. to Mediamond S.p.A., a company providing services for the sale of advertising space on the websites managed by the Group, R.T.I. S.p.A. and third-party publishers, equally controlled by Mondadori Pubblicità S.p.A. and Publitalia '80 S.p.A. (Mediaset Group), became effective on 1 January 2014.

Mondadori is Italy's largest operator in the publishing industry and outright leader in the books and magazines market, and is also active in the retail, digital, radio and direct marketing segments.

In 2014 the books segment recorded sales of euro 336.6 million. This area underwent a reorganisation process at the end of 2014 (effective as of 1 January 2015), which involved the creation of a new company, entirely owned by the Group, called Mondadori Libri S.p.A. The pre-existing publishing companies (Giulio Einaudi editore, Sperling & Kupfer, Piemme, Electa, Mondadori Education) and the Edizioni Mondadori area became part of this new company. As demonstrated by the appointments made in early 2015, the two different divisions have been maintained in the new company: Trade, which publishes fiction and non-fiction, and Educational, which groups together all internally developed book production (from school texts and training manuals in general to art books and illustrated books), as well as the organisation and management of exhibitions and monuments.

In 2014 the Magazines Italy area recorded sales of euro 297 million: in addition to the publication of digital and paper weekly and monthly magazines, sold in newsstands and by subscription, and the sale of adds-on, over the years websites and portals have been developed which, by leveraging on the publication's brand names, have, with the addition of the web channel and the social media, increased the number of users of Mondadori magazines.

The retail sector, presided over by Mondadori Direct S.p.A., closed 2014 with sales of euro 211.2 million. The subsidiary groups together all the activities involving a direct relationship, both offline and online, with consumers, and, as of September 2013, underwent a major internal reorganisation process that streamlined the operating structure,

repositioned the brand and its various stores, and optimised costs. At the end of 2014 the network of stores was structured as follows: 7 Mondadori Megastores (all under direct management), 344 Mondadori Bookstores (21 under direct management, 323 managed under franchising agreements), 217 Mondadori Points (newsstands that sell books or small bookshops, all managed under franchising agreements), 1 e-commerce site.

The Digital Innovation Area was founded in 2013 with the aim of strengthening the Group's presence in the digital market and accelerating innovation processes also through the identification of new business development opportunities. The structure gradually strengthened in 2014 with the arrival of new expertise in the various digital areas, with particular focus on supporting technology systems and their relative platforms, the Group's

central CRM activities, and those dedicated to the planning and development of new digital products that can contribute to expanding the sales package integrated with the Group's content and assets. From 2014 the activities of Cemit, a company that supplies integrated services for offline and online relationship marketing in Italy, come within the scope of this area.

In 2014 the radio activities, presided over through subsidiary Monradio S.r.l. with national radio broadcaster R101, generated sales of euro 11.7 million, entirely made up of advertising revenues. During the year R101 was repositioned through partnerships set up for Italy's biggest music events, the release of the new app, the redesign of the website, the expansion of the entertainment range with the *R101 TV* television channel and the activities on the broadcaster's social media channels.



RELEVANT EVENTS OCCURRING IN THE PERIOD

As well as the aforementioned creation of Mondadori Libri S.p.A. in December 2014, the other changes that took place during the year are reported below:

- On 11 March 2014 the Mondadori Group acquired the aNobii brand and assets, the global social reading platform with more than 1,000,000 users worldwide, approx. 300,000 of which in Italy, from aNobii Ltd. to support the growth of digital technology in the book industry.
- On 19 May 2014, the Mondadori Group entered the fashion e-commerce market with the acquisition of London-Boutiques.com, with the aim of accelerating the development of the activities of the “Grazia International Network” and, in particular, the global e-commerce platform project of the *Grazia* brand, launched in November 2014.
- In June the company completed an operation for the private placement of a total of 29,953,500 ordinary shares reserved exclusively for “qualified investors” in Italy and foreign institutional investors. The goal of the operation was to find new resources on the capital market in order to strengthen the financial structure of the Group and support its development goals.
- Oddone Pozzi was appointed CFO and Head of Finance, Procurement and IT of the Mondadori Group (June 2014);

- Finally, in December 2014, Mondadori acquired 75.22% of Kiver S.r.l., a marketing agency specialising in the development of digital promotion, branding and interactive advertising initiatives, in order to strengthen its presence in the digital marketing services sector, expanding its range of products and solutions in a sales package integrated with the Group’s content and assets and fully consistent with Cemit’s direct marketing activities and the Mediamond agency network.

RELEVANT EVENTS AFTER CLOSURE

On 21 January 2015 the Mondadori Libri S.p.A. Board of Directors defined its composition as follows: Chairman Ernesto Mauri, Directors Enrico Selva Coddè, Gian Arturo Ferrari, Antonio Porro and Oddone Pozzi. Enrico Selva Coddè was appointed Managing Director of Mondadori Libri S.p.A. Trade area and Antonio Porro retained his role as Managing Director of the Educational area. On 18 February 2015, the company announced that it had submitted a non-binding offer to RCS MediaGroup S.p.A. to eventually acquire the entire stake held by RCS MediaGroup S.p.A. in RCS Libri S.p.A., equal to 99.99% of the share capital, as well as all the additional assets and activities comprising the books division of RCS MediaGroup. On 6 March 2015, RCS Media Group granted Mondadori the exclusive right until 29 May 2015 to examine the terms and conditions of the eventual acquisition.

PROMOTING SUSTAINABILITY

Mondadori participates in and supports associations and work groups to disseminate the culture of sustainability.

Since 2005 Mondadori has been a member of Fondazione Sodalitas, Italy's largest association within Confindustria (promoted by Assolombarda in 1995), which leverages on the commitment of enterprises and managers to build a more sustainable future.

At 31 December 2014, Sodalitas' membership comprised over 100 companies, which undertake corporate sustainability initiatives with the Foundation, and managers who work as volunteers, donating their time and skills.

Fondazione Sodalitas represents CSR Europe in Italy, a network committed to implementing the European Union's Agenda on the issue of sustainability.

Mondadori has also been a member of the CSR Manager Network since 2011: established in 2006 through an initiative launched by a group of university researchers who recognised the increasing importance of social-environmental issues, the network groups together managers and professionals from companies from all industries and of all sizes who devote themselves, both full time and part time, to CSR issues. The network organises workshops focused on sustainability issues, open to the public or reserved for members, and also carries out research on topics of interest to its members.

Through individual activities, the Group acts as a **direct promoter of initiatives and associations connected with the themes of sustainability.**

One example is Cemit Interactive Media, provider of integrated relationship marketing services, which has been sponsor of the Fundraising Festival since 2009 and main sponsor of the event since 2014. The partnership with the Fundraising Festival, the biggest Italian event dedicated to the world of fundraising and non-profit initiatives, sees Cemit contribute to achieving an important common goal – fostering the development of the voluntary sector in Italy – by offering its services and expertise: from direct mailing services to a wide range of innovative high-quality solutions on the web and the social media.

One of the most innovative sustainability promotion initiatives was the creation of the branded channel in the new release of the Panorama.it website (September 2014): this branded content project made its debut in the non-profit sector in association with ActionAid, an NGO present in almost 50 countries in Africa, Asia and South America.

With this initiative, ActionAid acted as a “contributor” to Panorama.it and, as such, was given an exclusive space that included a company profile, links to various social pages and the corporate website, and where users could find all of the posts published by the brand.

THE DIGITAL EVOLUTION

In 2013 Mondadori launched a transformation process with the aim of making the company able to think “digitally”, both in its organisational processes and daily activities, as well as in new product development. Although this process still requires a lot of time, in 2014 various steps were taken to meet the goal.

As already alluded to in the 2013 Sustainability Report, in order to allow customers more direct access to the company, on 11 March 2014 Mondadori acquired global social reading platform aNobii, a social network on which users can exchange their ideas and opinions on books, share their book collections and buy and sell books. This acquisition, consistent with Mondadori’s desire to focus on the reader, provided access to a large quantity of data

on the reading habits and preferences of readers, enabling the company to respond to the demands of the market more effectively.

Then, in December 2014, Mondadori acquired digital marketing company Kiver, which brought its expertise and experience in the development of digital promotion, branding and interactive advertising initiatives to the Group. This operation represents an important landmark in the Group’s transformation process for three main reasons: the possibility of creating market synergies with Cemit, the integrated relationship marketing services company, through the sharing of customers; the chance to expand the product range to advertising agencies through the establishment of relations with customers on a project basis and, again,



in association with Cemit; finally, the chance to use Kiver as an internal agency that supports the Mondadori businesses.

As well as these acquisitions, 2014 also saw the top management become more aware of the fact that the change towards the digital evolution must take place first of all at organisational level: in fact, during the year the company showed a greater commitment to promoting, where possible, across-the-board collaboration between the various business units.

Another new development for 2014 was the creation, within the Digital Innovation area, of the Marketing Innovation sector, mainly dedicated to properties, with the aim of creating new digital products and exploring new business segments.

As a result of the organisational transformation process, an important change also got underway in the Digital Innovation area that is set to extend to the entire Group. In fact, in terms of structure and processes, the business division dedicated to digital products is geared towards the development of collaborative working relationships which subvert the traditional top-down logic in favour of the proactive participation of people and the promotion of talent. Work is organised according to projects, each one followed by a team in which “official” hierarchy levels are not applied. Each team is made up of members of the Marketing Innovation sector, who manage the project, of a program manager, who monitors the respect for deadlines, and of the other business units which manage the end product.

Mondadori’s digital products are mostly designed for the e-book and e-commerce market segments, while a lot more investment and progress is still required in the magazines segment. Although the

Italian e-book segment has not grown as predicted, Mondadori still has the biggest market share and will continue to invest in this sector, which is expected to grow as a matter of course. As for e-commerce, in 2014 Mondadori launched the integrated Grazia International Network fashion e-commerce platform Graziashop.com, a portal that enables the global *Grazia* community to purchase clothes and accessories that fit with the style of the magazine. Graziashop.com is Mondadori’s first genuine attempt at a global “e-commerce product” and required significant investment, including the acquisition of the London-Boutiques.com marketplace, in order to accelerate its time-to-market.

THE MONDADORI BUSINESS MODEL AND STAKEHOLDERS

In order to guarantee its sustainability over time, in 2014 Mondadori decided to focus its efforts and investments on developing a business model that prioritises the Books, Magazines and Retail areas, supported horizontally by the Digital Innovation area. A strategic vision that in 2014 led to acquisitions in the digital arena and the creation of new-co Mondadori Libri S.p.A.

Mondadori's long-term strategy is shaped by various different factors.

In the Books area, the reasons for this decision are mainly connected with the specific nature of this sector which, characterised by smaller market contractions, can be highly profitable and foster synergies with other businesses.

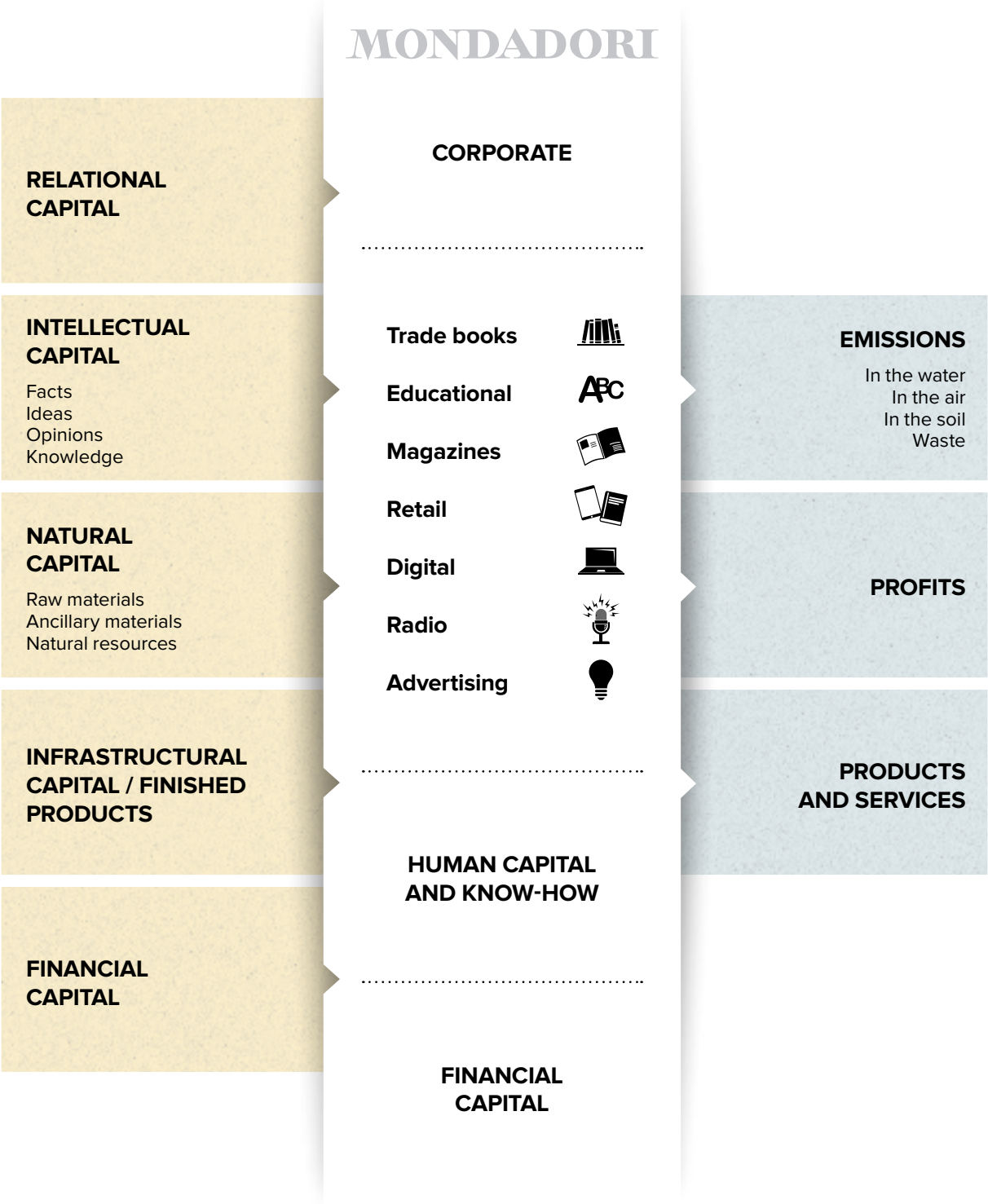
Mondadori regards retail as a strategic business with huge potential. According to an integrated strategy, the goal is to use the 600 or so stores (almost 20% of the market) of which it comprises to access information on reading sales and trends in extremely short timeframes, without having to resort to market research.

Finally, as regards the Magazines area, the Mondadori plan to maintain the strategic nature of this business entails a significant reduction in costs and a shift towards more targeted and selective investments in the digital sphere.

To support these three business areas Mondadori created the Digital Innovation area, the aim being to create a mix of digital products (mainly e-books, e-commerce and magazines) that can significantly contribute to the profitability of the company. To achieve this goal, back in 2013 Mondadori planned important investments in this sector, resulting in the acquisition of aNobii, Kiver and London-Boutiques.com in 2014; others, meanwhile, have not yet been finalised due to the greater consideration given to investment choices and the lower-than-expected growth rates in the market. However, this "slowdown" has enabled Mondadori to acquire a full understanding of the risks that the digital business presents and to assess the opportunities offered by this market in a more informed way.



BUSINESS MODEL



INVESTOR RELATIONS

As for relations with the financial community, 2014 was a year of change for Mondadori: in fact, as well as the appointment of a new person in charge of the Investor Relations area, a series of new internal communications tools (quarterly newsletter for the management) and external communications tools (new market presentation format) were introduced and there was greater integration and collaboration between the Investor Relations department and the Group Finance, Procurement and IT Department.

The most important change was the new approach that Mondadori decided to adopt in its relations with the financial community. **A proactive approach, based on transparency and thoroughness of information, especially financial information:** a disclosure no longer focused on the strengths of the company but also, and above all, on results not in line with expectations and the actions planned to solve critical issues.

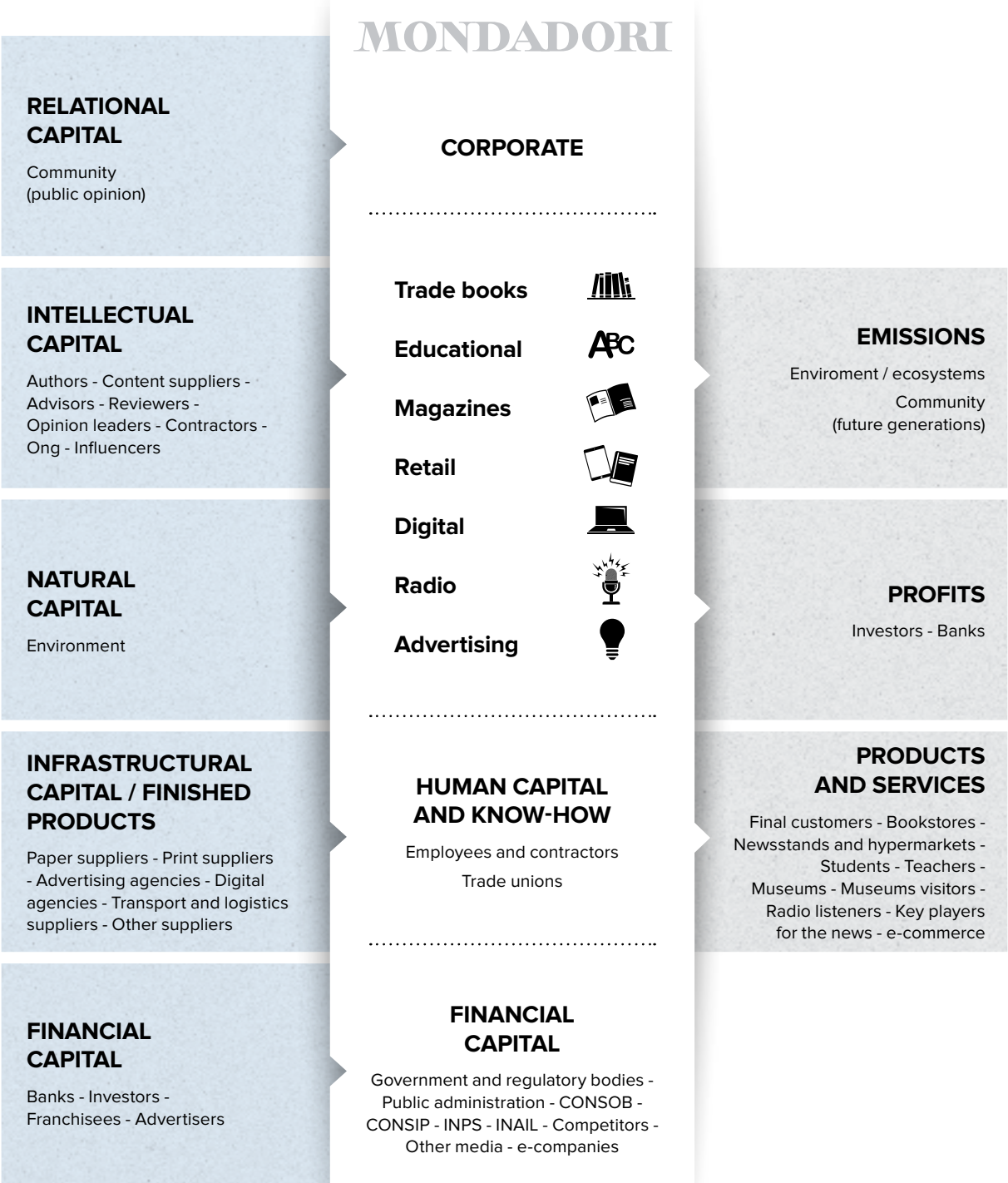
In this regard, as well as the legal aspects and the desire to align with best practices, what drove Mondadori to bring forward the publication of the Sustainability Report was the need to provide its stakeholders with a report that was as complete and as transparent as possible.

TOOLS FOR MONITORING ECONOMIC PERFORMANCE

A radical transformation process began in 2015 aimed at realigning the corporate culture primarily with economic-financial goals, with a particular focus on cash generation and financial soundness. To this end, changes will be made to existing monitoring tools, daily operations and internal reporting instruments.

OUR STAKEHOLDERS

[G4-18] [G4-24] [G4-25]



OUR STAKEHOLDERS

[G4-18] [G4-24] [G4-25]

As described in the Note on Methodology, Mondadori started defining and promoting stakeholder engagement in parallel with the drafting of the Sustainability Report, also with the objective of adapting the content of this Report to all of the company's stakeholders.

Stakeholders were mapped by using a summary scheme of Mondadori activities and its relations with the external world. These included:

- stakeholders who are affected by / provide input to Mondadori;
- stakeholders who are part of Mondadori;
- stakeholders who are affected by / receive output from Mondadori.

Such mapping enabled Mondadori to identify more than 40 categories of stakeholders, who were subsequently classified based on the following criteria:

- dependence from Mondadori;
- influence on Mondadori.

After having conducted targeted interviews and dedicated workshops with the in-house Sustainability Committee, Mondadori defined a map of its stakeholders and their respective levels of priority within the company.

Stakeholders were grouped into uniform clusters, which were later examined to establish their level of interest on the main issues considered relevant to Mondadori in order to deepen the materiality analysis already conducted by the in-house Sustainability Committee.

STAKEHOLDER ENGAGEMENT

[G4-24] [G4-25] [G4-26] [G4-27]

The table shows the main stakeholder engagement activities adopted by Mondadori in 2014. In some cases they were institutional activities (e.g. the meetings with the financial community at corporate action events or the consultations with union representatives) or initiatives related to the various businesses or departments (activities in the community and on the social media to promote books or meetings with suppliers).

Other initiatives, meanwhile, constituted moments of dialogue with single groups of stakeholders on specific issues such as, for example, the climate survey carried out by Mondadori Direct, the meeting dedicated to the book market aimed at independent booksellers, and the meeting reserved for retail suppliers with the aim of engaging external stakeholders in order to inform them about the business projects and encourage possible common synergies.

One example of structured and constant stakeholder engagement activities is the series of functions carried out by the Communication and Media Relations Department, which manages the company's relations with the media as regards corporate communications (information strictly related to Group corporate, financial and economic aspects) and the promotion of the company's image to the business community, organisations and institutions, and the media.

[G4-24] [G4-25] [G4-26] [G4-27]

STAKEHOLDER	CORPORATE FUNCTION	FREQUENCY	EXPECTATIONS	TOOLS	ANSWER	FURTHER INFORMATION
Financial community	<ul style="list-style-type: none"> Investor Relations Legal Affairs 	<ul style="list-style-type: none"> 5 (at the headquarters) 6 (in Italy and abroad) 	<ul style="list-style-type: none"> Group's increased visibility Value creation 	<ul style="list-style-type: none"> Shareholders' Meeting Conference calls Roadshows Analyst Meetings One-to-one 	<ul style="list-style-type: none"> Presentations Q&A Shareholders' Meeting minutes 	pp. 20; 36
Independent booksellers	Trade Books	1	Training on the digital evolution of the book product	Presentation of the <i>Digital disruption in book publishing</i> study		
Suppliers	Group Procurement	Several meetings	Contractual provisions	<ul style="list-style-type: none"> Meetings Sending of documents and questionnaire 	<ul style="list-style-type: none"> Code of Ethics Contracts Supplier database 	pp. 26-27
Retail suppliers	Mondadori Direct	1	Presentation of activities planned for 2014	Business partners meeting	Involvement in possible common synergies	
Unions	Group Human Resources	<ul style="list-style-type: none"> 1 (at European level) Several meetings (Italy) 	Information on Group progress and goals definition and management of reorganisation plans	CAE Negotiations		p. 69 p. 69
Employees	<ul style="list-style-type: none"> Communications and media relations Mondadori Direct 	<ul style="list-style-type: none"> At least once a week 6 1 	<ul style="list-style-type: none"> Inform about Group and market news and events Inform about company news and events Establish sense of belonging and sharing of mission/goals 	<ul style="list-style-type: none"> Intranet email social media Newsletters Surveys 	83% participation	p. 24 p. 71
Books audience	<ul style="list-style-type: none"> Trade Books Mondadori Electa 	4,254 presentations and events	Interaction with authors	<ul style="list-style-type: none"> Bookshop presentations Foreign author tours Participation in literary festivals 		p. 58
Magazine audience	Advertising & market research	Panel of 8,400 users (paper, web, social media)	Greater understanding of tastes and habits of the public	Market research	Presentation of results to magazine marketing and advertising	
Teacher audience	Mondadori Education		Collection of comments and assessments on LinkYou programme	Assessment forms		p. 58

MEDIA RELATIONS

The activities of the Communication and Media Relations Department covers the bulk of the information requirements of an ample spectrum of stakeholders, providing transparent and timely information, in compliance with the currently applicable regulations for listed companies and the internal procedure for public disclosure of privileged information.

The communication channels used include press agencies, dailies, radio, TV, web and social media; the Group's corporate website, also managed by the Communication and Media Relations Department, gathers the corporate press releases and a selection of product press releases (in Italian, www.mondadori.it, and in English, www.mondadori.com).

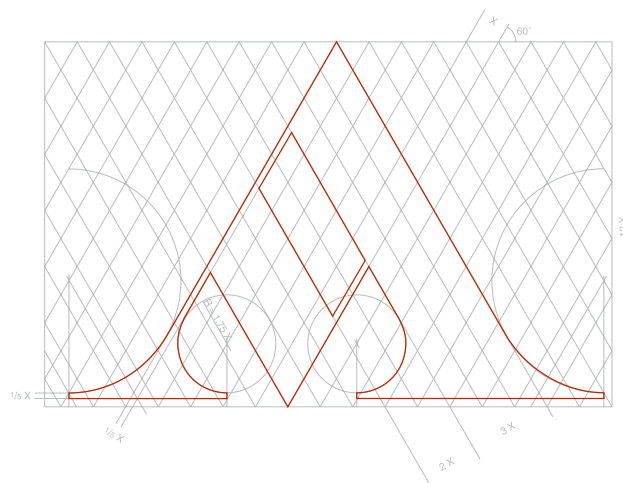
The Communication and Media Relations Department also monitors the communications of the business units, the social media and digital communications, corporate image and initiative communications, and sustainability and internal communications.

In 2014 **stakeholder engagement through the social networks** increased thanks to the creation of the Group Social Media Coordination division within the Department, which has the task of managing the Group's social accounts and coordinating its various business presences on the social media. In addition to the company corporate commitments (Boards of Directors and Shareholders' Meeting), the social media Twitter and LinkedIn were used during Social Media Week (February 2014 – Milan) to announce the acquisitions of aNobii and Kiver, to announce the creation of Mondadori Libri and to support the AIE "Un libro è un libro" campaign to subject e-books to the same VAT regime as paper books (December 2014).

In terms of internal communications, after the release of the new corporate intranet (Network, November 2013), this activity was supplemented in June 2014 with the creation of a weekly newsletter, sent to all employees, to inform them of the main news within the company and reference markets.

THE MONDADORI TRADEMARK AND THE NEW CORPORATE AND WEB IDENTITY PROJECT

In 1969 Bob Noorda created and codified the A monogram of the Mondadori trademark, created by merging the initials of the founder of the publishing house. To strengthen and unify the perception of the brand, in 1996 Noorda developed the Mondadori logo, creating an alphabet of characters from the trademark typeface and establishing a structured and complete system of guidelines for the use of the logo and its eventual variations.



The company has changed significantly in the meantime, as has the world of publishing and communications tools.

As a consequence of the new business model and in light of the metamorphosis the publishing industry has undergone, Mondadori felt it necessary to reconsider the issue of **corporate identity to create a new coordinated and structured system of guidelines** that regulate the use of the trademark and its variations for all Group companies and activities, both online and offline.

Coordinated by the Communication and Media Relations Department, the project has three goals:

- to work on the existing corporate image, solving all critical issues;
- to integrate Noorda's guidelines in accordance with the needs of the new media to create a new web identity;
- to create a single coordinated corporate image that regulates online and offline applications and becomes a corporate tool that is useful and accessible to all.

This activity, which began in May 2014 and is scheduled to be completed in 2015, comprises five phases:

- analysis: establishing the needs and current usage of the trademark by the various contact persons in each business area and the head office. Information is gathered through individual interviews. The internal contacts involved in the process were indicated by general managers in each area;
- creation of new standards: once all opinions have been gathered and the mapping of the current situation finalised, the critical areas and areas requiring action are identified. An accurate new brand architecture is proposed together with the subdivision of the brands by application and level with usage rules;

- in the third phase the new brand centre takes shape, a manual of usage guidelines that comes in both a digital version (on the company intranet) and a paper version;
- "brand guardianship": supervision for the correct application of the rules and support for the various areas for any new requirements
- finally, as the monogram and logo are registered trademarks of Arnoldo Mondadori Editore S.p.A., the Legal and Corporate Affairs Office will regulate their use by the various Group companies with contractual agreements that confer the right to use the trademarks, guaranteeing significant uniformity in terms of quality and precisely defining the identity of the trademarked products and services.



MANAGEMENT OF THE SUPPLY CHAIN

The Group Procurement Department, which forms part of the centralised Group Finance, Procurement and IT Department, supervises all procurement processes regarding any type of product or service (except for consulting services, retail purchases and barter transactions) for the parent company and the Italian subsidiaries. It governs the following four areas: real estate, facilities and ICT, outsourcing and raw materials, marketing and promotions.

Procurement is responsible for monitoring the Group's procurement process with direct and co-ordinated action with respect to all companies, monitoring all steps as part of an early involvement and procurement marketing approach: from market research on suppliers, products and services to the analysis of requirements; from the launch of periodic and specific tenders on different products and services to the negotiation of the best conditions, and from price monitoring to quality improvement for all products and services. The Group's Procurement Department is also responsible for ensuring the formal and material correctness and completeness of orders and contracts, also by relying on Legal and Corporate Affairs and the competent technical departments in compliance with the organisation, management and control model adopted by the Group.

Procurement applies the fundamental principles previously identified for the correct and effective management of the Group's expenditure and, thanks also to the extension of the sustainability project, it facilitates **a more consistent approach to the adoption of ethical behaviour in line with the principles contained in the company's Code of Ethics.**

As for suppliers, the trend is to move closer to ethical standards of conduct, also by fostering the obtaining of certifications, respect for human rights

and safety compliance in the workplace, the prohibition of child labour and the pursuit of sustainability policies. For this reason, on a trial basis in 2014 and on a more organic basis since 2015, Procurement has begun to create a database of its suppliers, both previous and newly-acquired ones, using a questionnaire that gathers data on the presence of procedures, planning documents or certification that illustrates each supplier's policy as regards the main themes of sustainability.

In 2014, 50% of a new suppliers selection were assessed, via the questionnaire, on the basis of environmental criteria, working practices, human rights and social impact. In addition, as a result of the direct paper purchasing process launched in January 2014, over 90% of chosen suppliers possess environmental certification.

Within the aforementioned four areas covered by the Procurement Department, the Mondadori Group therefore tends to identify those suppliers that increasingly align with the company's requirements, **becoming an active party in the understandably broad project of value creation in order to jointly pursue economic, social and environmental objectives.**

As regards the printing, Mondadori's biggest supplier is Elcograf, the company that meets the bulk of the Mondadori Group's printing requirements, while generating around half of its revenues through printing for other customers.

Elcograf was established by the merger of the printing operations of Pozzoni and Mondadori Printing, and since 2008 has been a subsidiary of the Pozzoni Group, one of the largest players on the market.

Elcograf carries out its activities by applying different international standards, which can support

strategic planning on key issues (e.g. environment and governance), while improving the management of daily processes:

- quality: ISO 9001:2008 certification issued to Mondadori Printing in April 2013 and valid until March 2016;
- environment: ISO 14001:2004 certification issued in April 2013 and valid until March 2016; PEFC ST 2002:2010 certification issued in February 2013 and valid until February 2018; FSC STD 50-001, FSC STD 40-003, FSC STD 40-004 and FSC STD 40-005 certifications issued in February 2013 and valid until February 2018;
- health and safety: internal health and safety management system (not as yet compliant with the requirements set out in article 30 of Italian Legislative Decree 81/08 or with international standards such as OHSAS 18001).

As part of its extended responsibility towards its customers, Mondadori increasingly seeks to manage products deriving from external suppliers in all cases in which a Mondadori product (usually a magazine) is sold together with a third party product (such as a DVD). The people buying such packs must be entirely confident about the content, be it directly produced by Mondadori or by third parties.

80% of the value of the orders for spin-off products (except for publishing products, music and films) placed by Mondadori regard products coming from China. Mondadori does not import them directly, but relies on one or more intermediaries who are responsible for factory checks and for all transport and customs operations.

In order to protect Mondadori against activities that are not in line with its principles, contracts/orders specify compliance with:

- the Mondadori Code of Ethics;
- European regulations;
- minimum worker age: 14 years.

Moreover, though lacking a standardised procedure, an agreement with suppliers is in place that requires that they specify the below information on the product label, whenever required by law:

- origin of product components;
- product content, particularly as regards substances that can have significant environmental or social impact;
- safe product use;
- product disposal and relevant environmental/social impacts.

After the enforcement (in July 2011) of the new EU toy safety directive (2009/48/EC), Mondadori stipulated a contract with an independent auditing firm in order to improve the implementation of legal requirements and ensure that the products defined as “toys” comply with the relevant safety standards.

In 2014 no instances of non-compliance with regulations and voluntary codes relating to the labelling of the projects sold by Mondadori were reported.



MATERIAL ISSUES FOR MONDADORI

[G4-18] [G4-19]

In 2014 Mondadori updated its materiality analysis in accordance with the new Sustainability Reporting Guidelines of the Global Reporting Initiative (version GRI-G4).

The identification of material issues took place through a workshop with the Sustainability Committee which firstly mapped and prioritised the stakeholders (as described in the paragraph The Mondadori business model and stakeholders); later, it identified the most relevant sustainability issues from those indicated by the GRI G4 Sustainability Reporting Guidelines and the G4 Media Sector Disclosures. During the workshop, the members of the Sustainability Committee put the issues in order, considering their relevance both for Mondadori and its stakeholders. In accordance with the GRI G4 Sustainability Reporting Guidelines, when prioritising the sustainability issues due consideration was given to the relevance of the impact of each one both within and outside the reporting boundaries, i.e. along the Mondadori value creation chain.

As well as the Sustainability Committee's perception of the importance of each sustainability issue (for Mondadori and its stakeholders), other assessment criteria were also applied.

With regard to the relevance of the issues for the company, there followed:

- an analysis of the commitment and the policies adopted by Mondadori regarding each issue;
- an analysis of the impact of each issue on the company's capitals (financial capital and productive capital, natural capital, human capital, intellectual capital and social and relational capital).

Meanwhile, with regard to the relevance of the sustainability issues for stakeholders, there was:

- an analysis of the media relevance and public opinion of each issue through a media analysis activity;
- an analysis of the relevance of each sustainability issue for the media sector through a benchmarking activity with Mondadori's competitors and the analysis of sector studies.

On the basis of the aforementioned analyses, Mondadori's priority sustainability areas were therefore identified by matching the relevance for the company with that for the stakeholders. The results are outlined below.

Of particular note are the following results:

- the most important issues in terms of their materiality relevance for Mondadori and its stakeholders are: **information / content quality, the business model and the digital evolution;**
- the majority of the issues related to Mondadori's specific business were judged to be material (responsible advertising, accessibility of output, freedom of expression, editorial independence, diversity of output, quality of information, privacy and data protection);
- the issues regarding the management of human capital and expertise and brand capitalisation continue to be priority areas for Mondadori.



MATERIALITY MATRIX

[G4-18] [G4-19]



GOVERNANCE AND CONTROL MODEL

Mondadori views the Code of Conduct for listed companies as a reference model for defining its organisational structure and operational procedures for corporate governance.

Before the Code was issued, various aspects of the corporate organisational structure were already broadly in line with the instructions subsequently provided by the Code itself, while others

were introduced as part of a process of gradual adjustment in line with the specific characteristics of Mondadori's corporate organisation.

The corporate entities that form the Mondadori governance system are: the Board of Directors, the Board of Statutory Auditors, the internal committees and the Shareholders' Meeting.

Corporate Governance	2012	2013	2014
No. of Members of the Board of Directors	14	14	14
Executive Directors on the Board of Directors	4	4	4
Independent Directors on the Board of Directors	6	5	5
No. of Women on the Board of Directors	3	3	3
No. of Meetings of the Board of Directors	6	6	7
No. of Meetings of the Control and Risks Committee	6	6	8
No. of Meetings of the Remuneration and Appointments Committee	2	4	3
No. of Meetings of the Board of Statutory Auditors	11	10	13



The **Board of Directors** was appointed by the Shareholders' Meeting on 19 April 2012 for a term of three years, specifically until the Shareholders' Meeting to approve the financial statements for the year ending 31 December 2014.

At the end of the year to which this Report relates, the Board of Directors consisted of fourteen directors.

Name	Position	Status		
		Executive	Non-Executive	Independent
Marina Berlusconi	Chairman			
Ernesto Mauri	Ceo			
Pier Silvio Berlusconi	Director			
Pasquale Cannatelli	Director			
Bruno Ermolli	Director			
Martina Mondadori	Director			
Danilo Pellegrino	Director			
Roberto Poli	Director			
Angelo Renoldi	Director			
Mario Resca	Director			
Cristina Rossello	Director			
Carlo Sangalli	Director			
Marco Spadacini	Director			
Oddone Pozzi*	Director			

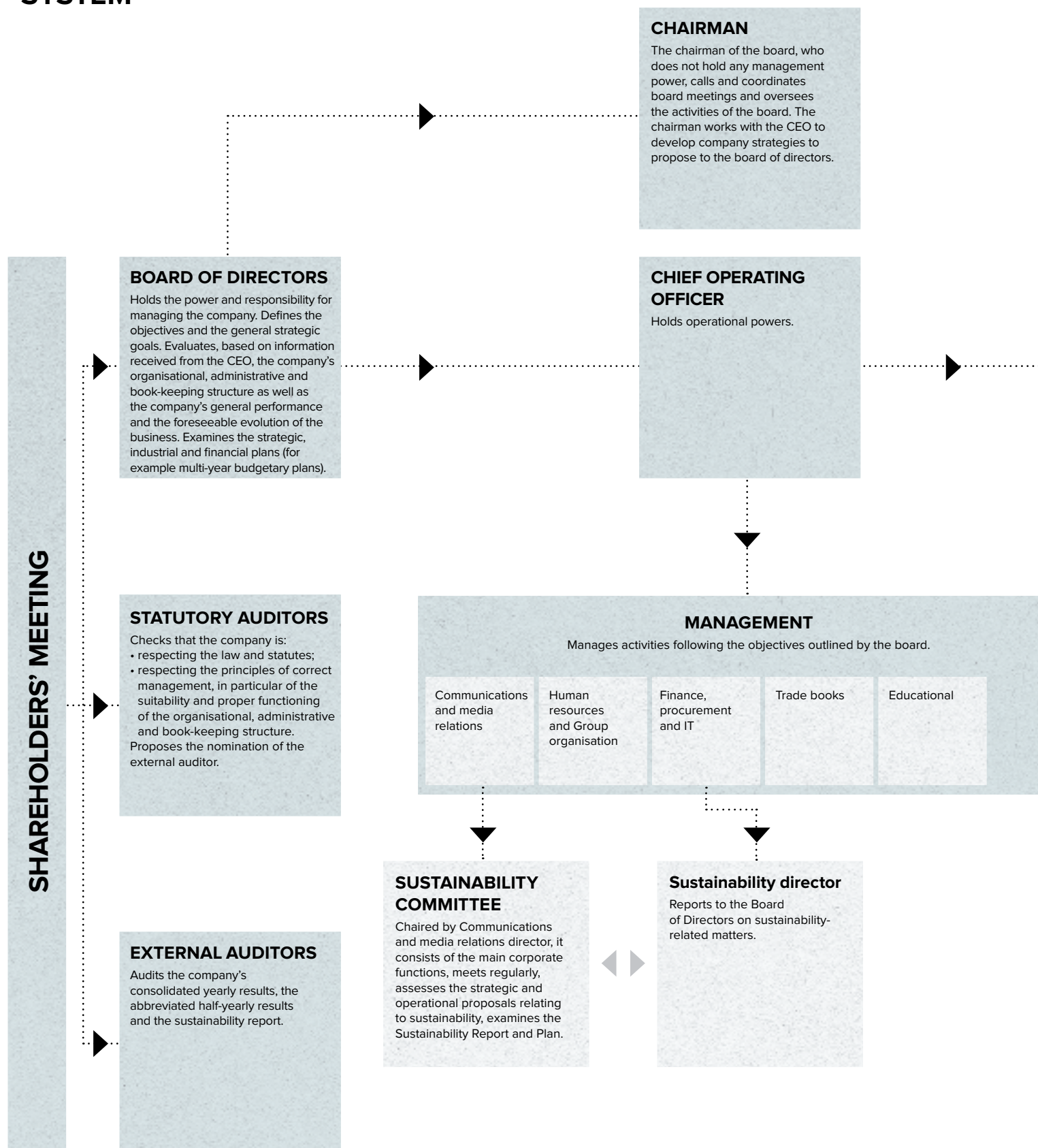
Composition of the Board of Directors at 31 December 2014

* from 17 June 2014

Three Mondadori directors are aged 30-50, and 11 are over 50. More details are shown in the table opposite.

Sex	Age	2014
Men	< 30	0
	30 - 50	1
	> 50	10
Total Men	11	
Women	< 30	0
	30 - 50	2
	> 50	1
Total Women		3
Total		14

GOVERNANCE SYSTEM



Magazines Italy	Mondadori France	Mondadori Direct	Digital Innovation	Mediamond
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Remuneration and appointments committee

Makes proposals to the board regarding:

- remuneration of board members with special appointments;
- main guidelines to follow regarding plans to retain and incentivise;
- management of stock option plan.

Control and risks committee

Consults and makes proposals regarding the general terms of reference and the suitability of the internal control system. Coordinates with the Committee of Statutory Auditors, the managers in charge of internal control and financial reporting and the executive director.

In particular, it:

- evaluates plans for internal and external audits;
- evaluates with the executive in charge of internal control and the auditors the correct application of book-keeping principles;
- reports periodically to the board of directors
- carries out specific jobs delegated to it by the board of directors.

Director in charge of the system of internal control and risk management

Proposes to the board, after having consulted with the Internal Control Committee, the nominations of those who will be in charge of internal control.

Identifies risks the company faces.

Executes the general terms of reference regarding internal controls as defined by the board.

Manager in charge of financial reporting

Arranges adequate administrative and book-keeping procedures for the preparation of the consolidated earnings report and half-yearly abbreviated report.

Grants the certification of ex art. 154 bis of the Finance Consolidation Act (TUF).

Head of Internal Auditing

Checks the suitability and functioning of the internal control system.

Plans the overseeing of activities and internal audits of the company and its subsidiaries.

Ensures that the company activities respect laws and company praxis regarding preventing risks and fraud that damage the company.

Supervision and oversight body

Ensures the correct application of the Organisational and Management Model adopted to conform with the requirements of decree 231/2001.

Proposes updates for the organisational model to the board.

This committee is made up of an independent non-executive director, the head of the internal audit function and the chairman of the board of statutory auditors.

The current Board of Directors does not include any director appointed by minority shareholders, since no alternative slate was submitted to the aforementioned Shareholders' Meeting of 19 April 2012.

The structure of delegated levels of authority has been created to maintain the central role of the Board of Directors within the company's organisational and shareholder structure. Pursuant to the company's Bylaws, the Board of Directors is vested with the broadest powers for the company's ordinary and extraordinary management – except those powers that, by law, fall under the exclusive competence of the Shareholders' Meeting – including the functions and responsibilities for determining the strategic and organisational direction of the company and the Group.

The Board of Directors examines and approves in advance transactions of strategic, economic and financial relevance, including those regarding subsidiaries, if identified as significant based on material and value criteria.

In 2014 the Board of Directors met 7 times, with meetings regularly attended by the Board of Statutory Auditors.

The **Board of Statutory Auditors**, composed, in accordance with the relevant provision set out in the

Company Bylaws, by three Standing Statutory Auditors and two Substitute Statutory Auditors, was appointed by the Shareholders' Meeting of 19 April 2012 and shall remain in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2014.

The Board of Statutory Auditors currently comprises:

Name	Position
Ferdinando Superti Furga	Chairman
Francesco Antonio Giampaolo	Standing Auditor
Franco Carlo Papa	Standing Auditor
Ezio Maria Simonelli	Substitute Auditor
Francesco Vittadini	Substitute Auditor

The Statutory Auditors hold office for 3 years and can be re-elected.

In 2014 the Board of Statutory Auditors met 13 times; moreover, the Board of Statutory Auditors had meetings with the Control and Risks Committee and the heads of the different corporate functions – including Internal Audit – with particular reference to the assessment of the appropriateness of the internal control and risk management system, as well as meetings with the independent auditors for the purpose of the reciprocal exchange of information.

The **Remuneration and Appointments Committee** is composed of 3 non-executive directors, the majority of whom are independent. The Chairman of the Committee is selected from among the independent directors.

Members of the Remuneration and Appointments Committee hold office until the expiry of their mandate as directors and, therefore, until the approval of the financial statements for the year ending 31 December 2014, unless otherwise resolved.

Name	Position	Status		
		Executive	Non-executive	Independent
Marco Spadacini	Chairman			
Bruno Ermolli	Director			
Carlo Sangalli	Director			

In 2014 the Committee held 3 meetings, which were attended by the Chief Statutory Auditor. The percentage of attendance at the meetings was 100% for all Committee members.

A **Control and Risks Committee** comprising three independent directors has been established within the Board of Directors.

35

Name	Position	Status		
		Executive	Non-executive	Independent
Angelo Renoldi	Chairman			
Marco Spadacini	Director			
Cristina Rossello	Director			

Members of the Control and Risks Committee hold office until the expiry of their mandate as directors and, therefore, until the approval of the financial statements for the year ending 31 December 2014, unless otherwise resolved.

The Control and Risks Committee has consultative and advisory functions vis-à-vis the Board of Directors and provides assistance and support to the same in the assessment of the adequacy of the internal control and risk management system.

The Committee coordinates its activities, to the extent of its responsibilities, with those of the Board of Statutory Auditors, the external auditors, the head of Internal Audit as well as the manager responsible for the internal control and risk management system and the director responsible for preparing the company's accounting and official documents.

In 2014 the Control and Risks Committee held 8 meetings with the periodic attendance of members of the Board of Statutory Auditors, the Head of In-

ternal Audit and the Supervisory Body, and also held meetings with independent auditors and the managers of various company departments.

The activities conducted by the Committee were regularly reported to the Board of Directors.

No significant organisational and/or procedural omissions were identified in the activities of any parties involved in the internal control and risk management system or in the changes applied to the organisation.

THE SHAREHOLDERS' MEETING

The powers of the ordinary and extraordinary Shareholders' Meeting are those established and governed by law.

With specific reference to the provisions set out in Article 2365 of the Italian Civil Code, the Company Bylaws assign the Board of Directors the power to adopt specific resolutions in relation to some specific issues that may also fall under the competence of the Shareholders' Meeting, subject to the final approval of the Shareholders' Meeting.

The Shareholders' Meeting of 2001 adopted a regulation that establishes, among other things, the criteria regarding the right of each individual shareholder to address the meeting on the items on the

agenda, and to guarantee the regular and functional holding of the meetings, ensuring the efficiency of the decision-making process in the interest of all shareholders.

It is also standard practice for the Board of Directors to use the Shareholders' Meetings as an opportunity to report about the activities performed and planned in compliance with the regulations in the matter of privileged information.

SUSTAINABILITY GOVERNANCE

The sustainability governance system involves various company functions:

- Board of Directors: approves the Sustainability Report and Sustainability Plan guidelines every year;
- CEO: evaluates and approves proposals, including the Sustainability Committee Plan;
- Sustainability Director: reports to the Board of Directors on sustainability-related matters;
- **Sustainability Committee: consisting of the main corporate functions**, meets regularly, assesses the strategic and operational proposals relating to sustainability, examines the Sustainability Report and Plan;
- Head of Sustainability: calls meetings, submits proposals and reports to the Sustainability Committee on CSR-related matters.

EDITORIAL INDEPENDENCE

The share capital of Mondadori at 31 December 2014, fully paid up and subscribed, totals euro 67,979,168.40, divided into 261,458,340 ordinary shares with a par value of euro 0.26 each. The company has been listed on the Milan Stock Exchange since 1982.

As the table of significant shareholdings shows (i.e. those of over 2% of the share capital), the majority shareholder is holding company Fininvest S.p.A., owned by the Berlusconi family.

SIGNIFICANT SHAREHOLDINGS*

Shareholder	Ordinary shares owned	% Shareholding on share capital
Fininvest S.p.A.	131,773,658	50.39%
Silchester International Investors LLP	32,832,869	12.56%
River and Mercantile Asset Management LLP	13,246,396	5.07%
UBS Group AG	8,777,243	3.36%

* at 31 December 2014

At the end of February 2015 UBS Group AG reduced its shareholding to below the 2% threshold.

In 2014 Mondadori received government grants totalling approximately euro 100,000, mainly in the form of training subsidies, around euro 52,000 in the form of telephone rate subsidies (pursuant to art. 28 of Italian Law 416/81 on publishing), and around euro 21,000 of contributions for the translation of books.

The Group did not receive contributions from groups or associations connected with public administration, nor from other entities, associations, NGOs, non-profit organisations or private parties.

Finally, Mondadori did not pay any type of contributions to political parties or politicians during the year.



INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system of the Mondadori Group is defined as the set of procedures, organisational structures and related activities aimed at ensuring, through an adequate process of identification, measurement, risk management and monitoring, correct company management consistent with the established objectives.

The guidelines and orientation of the internal control and risk management system make reference to the principles envisaged in the *Enterprise Risk Management* (ERM) standard, an international standard developed by the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO Report).

In 2008, within the framework of the definition of the guidelines, the Mondadori Group implemented a process aimed at identifying, assessing and managing the main risks and uncertainties to which it is exposed in pursuing the company's objectives. A Risk Management function was established for the purpose of developing an internal risk management model and monitoring the performance and periodic updating and monitoring of the same process.

Risk relevance, classified into categories and sub-categories, is determined on the basis of parameters of probability of occurrence and impact, not only economic, but also in terms of market share, competitive advantage and reputation. Through the process of self-assessment, the company management identifies the risks attributable to its own competence and assesses the effects on the objectives that were previously defined by the business and staff general managers. The assessment is accomplished both inherently - that is, without any mitigation action - and residually, thus taking into account the actions implemented to re-

duce the probability of occurrence of the risk event and/or limit its damaging impact.

The outcomes, collected and processed by Risk Management, are subject to targeted disclosure to the Control and Risks Committee, the Board of Statutory Auditors and the Board of Directors. The risk scenario is revised and updated annually. The actual identification and efficiency of the mitigating actions indicated by the management during the process of assessment are subject to auditing by the Internal Audit function. In addition, in order to align the residual risk within a certain risk range considered acceptable (Risk Appetite), the Risk Management function plans and implements risk response actions in collaboration with the company heads involved, by mapping the additional designed mitigating actions.

In 2014, 66 risk elements were identified, the main ones attributed to the following categories: risks linked to the economic scenario, financial and credit risks, strategic risks, regulatory and legislative risks, risks linked to brand and intellectual property protection, planning and reporting risks.

In the context of fostering commitment towards sustainability within the Group, in the latest Risk Assessment, a more complete and systematic analysis of the **risks attributable to the social and environmental effects of the company's activities was conducted, which also involved the stakeholders concerned.** Among the key aspects, the mapping includes risks related to changes in the regulatory and legislative framework, the selection and evaluation of suppliers, the relationship with customers in terms of attention to satisfaction and responsiveness, the environmental impact of the company's activities and decisions, and the allocation of resources for sustainability projects and initiatives. The elements identified were subject to adequate mitigation actions.



The Risk Assessment system also maps transparency and measures to combat corruption across the company. In this regard, no episodes of corruption were either identified or reported in 2014.

As well as the Risk Management Department, the internal control system also comprises:

- the Internal Audit Department, which carries out an average of 55-60 audits a year on: operations (business processes); compliance (respect for procedures); compliance with Italian Leg. Decree no. 231/2001; IT; compliance with Italian Law 262/2005 (financial auditing). Instances of non-compliance identified during the audits are

duly recorded and follow-up activities carried out every six months; for the planning of the audits to carry out during the year, consideration is given to the requests made by the Legal Office, Risk Management and the other relevant departments. Of all the audit proposals put forward, controls are carried out in those areas that present the greatest risks. The chosen audits are subsequently approved by the Control and Risks Committee (composed of 3 non-executive and independent directors) and the Board of Directors;

- Supervisory body: which mainly deals with audits on Italian Leg. Decree no. 231/2001;

- administration: as well overseeing the management of the chart of accounts, e-billing, the management of databases and mapping pursuant to Italian Law 262/2005, this department also carries out audit activities on Group-level processes.

The main activities carried out by Supervisory body in 2014 included the updating of the holding company Organisation, management and control model, approved by the Board of Directors on 27 March 2014. The update takes account of the regulatory and organisational changes in the issuing company. In particular, the crime “corruption between private parties” was inserted. The Sperling & Kupfer S.p.A. and Edizioni Piemme S.p.A. models were also updated during the year.

Between October and November 2014 a training course was held for parent company middle managers and executives on the content of the Organisation, management and control model.

The course registered a participation rate of 81% and in 2015 will also be extended to other employees and members of staff, following the update of the Organisation, management and control model of other subsidiaries.

The internal control system includes a committee dedicated to the mapping and updating of all existing procedures, made up of the following functions: Internal Audit, staff, legal, procurement, administration. Since 2013 the committee has met once a week.

As for environmental and social risks, Mondadori is evaluating the possibility of introducing new procedures for the correct management of:

- antenna towers in protected areas (Monradio S.r.l.);
- electronic waste - WEEE (Mondadori Direct S.p.A.).

Finally, in 2011 the PADL (Punto di Ascolto sul Disagio Lavorativo) was set up, an email address to which staff can write to report incidences of work-related stress. The Internal Audit Department responds directly to the reports it receives after consulting the Legal Office and the head of personnel. After receiving a report, an initial analysis of the case is carried out followed by a preliminary investigation. There has been only one case since 2011 (in 2012).

GROUP ECONOMIC PERFORMANCE

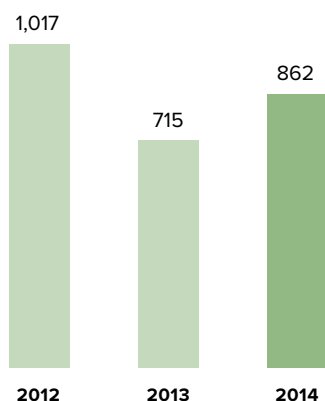
The value added generated and distributed by the Mondadori Group in Italy was calculated based on the consolidated income statement, with the following instructions:

- foreign subsidiary companies were excluded;
- the equity of foreign subsidiary companies was excluded;
- intercompany transactions with foreign companies and other consolidation entries were included (foreign subsidiaries are treated as third parties);
- maintenance of the dividend paid out by the parent company to the shareholders.

In 2014, the economic value distributed by Mondadori (limited to Italy, unless otherwise indicated) was euro 855.6 million, the economic value generated was euro 862 million, and the economic value retained was around euro 7 million.

ECONOMIC VALUE GENERATED

euro million



The economic value generated, as shown in the table below, is broken down as follows:

- operating costs totalled euro 676 million (-9.6% vs. 2013), of which 94% related to trade payables (euro 636 million, -9.8% vs. 2013);
- employee salaries and wages accounted for euro 151 million, down 24.9% against the previous year;
- payments to financial institutions totalled euro 24 million, while shareholder remuneration was zero, because no dividends were paid out;
- payments to public administration came to euro 1.9 million;
- gifts, membership fees and sponsorships totalled euro 2.3 million, down 21.7% against 2013 (for more details see chapter *Commitment to the community*, pp. 80-81).

DISTRIBUTION OF THE ECONOMIC VALUE GENERATED

(€/M)

Operating costs	676.2
Employee salaries and wages	151.2
Payments to financial institutions and shareholders	24.0
Payments to public administration	1.9
Gifts, membership fees and sponsorships	2.3
Economic value distributed by the group	855.6

The economic value generated by the Group increased by 20.5% from euro 715 million in 2013 to euro 862 million in 2014, while the economic value

distributed decreased (-12%, from euro 973 million to euro 856 million).

Euro/000	Italy		
	2012	2013	2014
Economic value generated by the group	1.017.236	714.528	862.328
Economic value distributed by the group	1.050.090	972.879	855.569
Operating costs	822.164	748.208	676.157
Employee salaries and wages	199.662	201.242	151.206
Payments to financial institutions and shareholders	26.106	26.152	23.983
Payments to public administration	(933)	(5.670)	1.915
Gifts, membership fees and sponsorships	3.091	2.947	2.308
Economic value retained by the group	(32.449)	(258.351)	6.759

The economic data relating to Italy was used in order to achieve maximum consistency with the other data included in this report. Similarly, in order to enable comparisons with the data disclosed in the consolidated financial statements, the table on p. 43 shows the calculation criteria used to de-

termine the economic value and also shows the Group values reported in the consolidated financial statements at 31 December 2014. The complete list of consolidated companies included in the Annual Report is published on p. 45. [G4-17].

Euro/000	Italy ⁴			Group consolidated ⁵		
	2012	2013	2014	2012	2013	2014
Economic value generated by the group	1,017,236	714,528	862,328	1,254,284	1,150,963	1,196,287
Revenues	1,036,152	923,381	837,938	1,416,093	1,275,791	1,177,495
Other revenues	26,293	22,469	17,346	29,214	28,018	21,276
Financial revenues and interest accrued	12,656	14,112	11,771	4,165	3,815	1,229
Revenues/costs from disposal of tangible and intangible assets	43	(12)	12,970	48	(218)	12,941
Value adjustments of tangible and intangible assets	(52,959)	(33,785)	(692)	(192,993)	(117,080)	(692)
Losses on receivables	(9,079)	(8,342)	(14,344)	(10,092)	(9,195)	(15,286)
Currency differences	(67)	(470)	176	(91)	(517)	126
Profit/loss from equity investments	4,197	(202,825)	(2,837)	7,940	(29,651)	(802)
Economic value distributed by the group	1,050,090	972,879	855,569	1,407,746	1,312,870	1,172,187
Trade payables	776,772	704,880	636,424	1,017,950	932,324	851,811
Costs for third party assets use	37,220	35,044	28,865	43,388	42,300	36,436
Employee salaries and wages	199,662	201,242	151,206	290,415	290,468	230,588
Payments to financial institutions	25,701	26,152	23,983	26,334	27,507	24,341
Payments to shareholders ¹	405	-	-	3,681	3,270	3,212
Payments to public administration	(933)	(5,670)	1,915	11,195	2,344	9,495
Other operating costs	8,172	8,284	10,868	11,692	11,710	13,996
Gifts, membership fees and sponsorships ²	3,091	2,947	2,308	3,091	2,947	2,308
Economic value retained by the group	(32,854)	(258,351)	6,759	(153,462)	(161,907)	24,100
Depreciation of properties, plants and machinery	9,613	9,491	8,402	11,511	11,869	10,563
Amortisation of intangible assets	3,500	3,439	4,316	13,547	13,388	13,483
Fund provisions	20,635	34,996	17,818	22,788	37,332	19,559
Fund utilisation	(16,907)	(14,551)	(30,649)	(19,025)	(16,892)	(31,796)
Deferred/pre-paid taxes	(9,648)	(10,374)	12,178	(13,511)	(20,846)	11,740
Reserves ³	(40,047)	(281,352)	5,306	(168,772)	(186,758)	551

¹ third-party shareholders in Italy (2012) and in the consolidated group (2012-2014)

² gifts and membership fees for 2011 and 2012 were adjusted as a result of the re-classification of other operating costs in the same years

³ utilisation of reserves to cover year's losses in 2012 and 2013

⁴ data refer to consolidated Italian companies on a line-by-line basis

⁵ data refer to all consolidated companies in the Group's consolidated financial statements

PENALTIES

The amount of penalties paid in 2014 decreased compared to the previous year. Economic penalties mainly consisted of amicable settlements with

counterparties; the amounts grew by 40% on a year-on-year basis. There were no penalties relating to the environment.

All tax fines refer to litigation matters relating to the substitute tax on loans.

MONETARY PENALTIES

euro/million

Type	2012	2013	2014
Tax fines	0.20	2.65	0.79
Economic penalties	0.55	0.67	0.94
Total	0.75	3.32	1.73

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In order to provide greater transparency to stakeholders, Mondadori developed an archive relating to non-monetary penalties at the beginning of

2012. Examples of non-monetary penalties include the publication of rulings.

In 2014 only 3 cases were identified.

NON-MONETARY PENALTIES

	2012	2013	2014
	5	3	3

Company name	Registered office
Companies consolidated using line-by-line method	
Arnoldo Mondadori Editore S.p.A.	Milan
<i>Italian subsidiaries</i>	
Cemit Interactive Media S.p.A.	S.Mauro Torinese (Turin)
Edizioni Piemme S.p.A.	Milan
Mondadori Education S.p.A.	Milan
Mondadori Electa S.p.A.	Milan
Electa S.r.l.	Milan
Mondadori Direct S.p.A.	Milan
Giulio Einaudi editore S.p.A.	Turin
Glaming S.r.l. (in liquidation)	Milan
Kiver S.r.l.	Milan
Mondadori International Business S.r.l.	Milan
Mondadori Libri S.p.A.	Milan
Mondadori Pubblicità S.p.A.	Milan
Press-Di Distribuzione Stampa e Multimedia S.r.l.	Milan
Monradio S.r.l.	Milan
Sperling & Kupfer Editori S.p.A.	Milan
Sporting Club Verona S.r.l.	Milan
<i>Foreign subsidiaries</i>	
Gruppo Mondadori France	Paris
Mondadori UK Ltd	London
Companies valued at equity	
ACI-Mondadori S.p.A. (in liquidation)	Milan
Gruppo Attica Publications	Athens
Campania Arte S.c.ar.l.	Rome
Consorzio Covar (in liquidation)	Rome
Consorzio Forma	Pisa
Consorzio Scuola Digitale	Milan
Edizioni EL S.r.l.	Trieste
Gruner + Jahr/Mondadori S.p.A.	Milan
Harlequin Mondadori S.p.A.	Milan
Mach 2 Libri S.p.A.	Peschiera Borromeo (Milan)
Mach 2 Press S.r.l.	Peschiera Borromeo (Milan)
Mediamond S.p.A.	Milan
Milano Cultura S.c.ar.l.	Milan
Mondadori Independent Media LLC	Moscow
Mondadori Seec Advertising Co. Ltd	Beijing
Società Europea di Edizioni S.p.A.	Milan
Venezia Musei Società per i servizi museali S.c.ar.l. (in liquidation)	Venice
Venezia Accademia Società per i servizi museali S.c.ar.l.	Venice
Companies valued at fair value	
Aranova Freedom Società Consortile ar.l.	Bologna
Audiradio S.r.l. (in liquidation)	Milan
Club Dab Italia S.c. per azioni	Milan
Consuledit S.r.l. (in liquidation)	Milan
Consorzio Edicola Italiana	Milan
C.E.P. Consorzio Emittente Piemonte	Milan
Consorzio Forte Montagnolo	Civitanova Marche
Consorzio Riqualificazione Monte Gennaro	Rome
Consorzio Antenna Colbuccaro	Ascoli Piceno
Consorzio Camaldoli 1	Naples
Cons. Sistemi Informativi Editoriali Distributivi	Milan
Editrice Portoria S.p.A.	Milan
Immobiliare Editori Giornali S.r.l.	Rome
MDM Milano Distribuzione Media S.r.l.	Milan
SCABEC S.p.A.	Naples
Società Editrice Il Mulino S.p.A.	Bologna



FOCUS ON THE USER

**The responsibility
of the publishing
product**

**Diversity of output
and freedom
of expression**

**Privacy
protection**

**Accessibility
of output**

**Customer
relations**

**Customer
satisfaction**

THE REPUTATION THAT THE GROUP HAS BUILT UP OVER
ITS HUNDRED YEARS OF DOING BUSINESS IS ALSO BASED ON COMPLIANCE
WITH ETHICAL STANDARDS DEFINED BY LAWS, REGULATIONS AND GOVERNANCE
CODES IN THE DAILY OPERATIONS OF ALL OF ITS COMPANIES.

IN ADDITION TO BASIC COURTESY, FAIRNESS AND CONSIDERATION,
MONDADORI'S ATTENTION TO ITS CUSTOMERS REPRESENTS ONE
OF THE PILLARS OF THE GROUP'S CULTURE AND SOCIAL RESPONSIBILITY.

MONDADORI TRANSLATES THE CENTRALITY OF CUSTOMERS
INTO PRACTICE BY PLACING A STRONG EMPHASIS ON PRODUCT QUALITY
AND COMPLIANCE WITH ITS GOVERNANCE CODES TO DISSEMINATE
A CULTURE OF RESPONSIBILITY, PROTECT PRIVACY AND MONITOR
CUSTOMER SATISFACTION AND LOYALTY.

THE RESPONSIBILITY OF THE PUBLISHING PRODUCT

In the publishing industry, product quality and ethical integrity are intrinsically associated with the concept of sustainability.

Mondadori is fully aware that it has a great responsibility towards its readers and customers. For this reason, the company is committed to providing accurate, meticulous and truthful information in its publishing products, including magazines, websites and digital products, books and radio, while respecting the attitudes and sensitivity of the general public.

The results of this orientation are public and easily observed: one needs only to go to a bookshop in order to appreciate, for instance, the broad spectrum of religious, political, scientific and social orientations represented in the range of books published by Mondadori.

The values that inspire Mondadori, reflected in its Code of Ethics, underpin its publishing activities and translate into a general obligation of diligence, honesty and loyalty.

SCHOOL BOOKS

In recent years Mondadori Education, the Group company that operates in the educational segment, has directed its **business strategy towards achieving a perfect balance between the quality of its products and economic sustainability**. This has enabled it to achieve good economic and financial results and, at the same time, guarantee the quality of its products.

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In fact, to create the content of its editorial products the publishing house always seeks to take advantage of the experience and knowledge of its authors, who are chosen using a careful scouting process.

In addition, as a member of the AIE (Italian Association of Publishers), in 2014 Mondadori Education took part in the consultations regarding the government “La Buona Scuola” programme: a commitment that shows how the publishing house interacts with the authorities to **contribute to projects to reform Italy’s education system**.

As a natural evolution of this commitment, in 2014 Mondadori Education was certified as an accredited and qualified training body by the Italian Ministry of Education, University and Research for the training of schoolteachers (MIUR Decree of 15/07/2014, Prot. AOODPIT 595). This certification attests to the quality of the publishing house as a historic supplier of valuable teaching tools, but also the social function it carries out and can carry out as a partner of the Italian education system.

As well as books, Mondadori Education also supplies a training and updating service on digital teaching and the techniques and technologies that can make teaching more effective. In response to requests by individual school or groups, the publishing house organises courses and seminars and supplies expert coaches to provide specific training. Thanks to the accreditation, teachers can request leave from their teaching activities in order to attend the training sessions, obtaining participation certificates that they can add to their CVs.

RESPONSIBLE ADVERTISING

Like Mondadori Pubblicità before it, Mediamond also adheres to the commercial communication Governance Code of the IAP (Istituto di autodisciplina pubblicitaria - advertising governance agency). The company is committed to promoting honest, truthful and correct commercial advertising, which does not offend consumer sensitivity and is respectful of individuals’ moral, civil and religious orientations.

Mediamond greatly respects the “special standards” concerning sale systems and some product categories (alcoholic drinks, beauty products, health supplements, financial transactions) and pays special attention to children and adolescents both in terms of the messages conveyed, by protecting them psychologically, morally and physically, and in terms of their use in the communication media.

Compliance with these norms and codes is expressed in internal assessment and control procedures that involve different functions within the organisation: the Mediamond sales force, the chief editor of a given magazine or paper, the page layout editors and the legal office, both through direct consultation and a manual and operating instructions.

In special cases, informal consultation with other advertising agencies is also arranged.

DIVERSITY OF OUTPUT AND FREEDOM OF EXPRESSION

The prime responsibility of a media company is to protect and defend freedom of expression and the right to information, considering the influence that communication media exert on society at large.

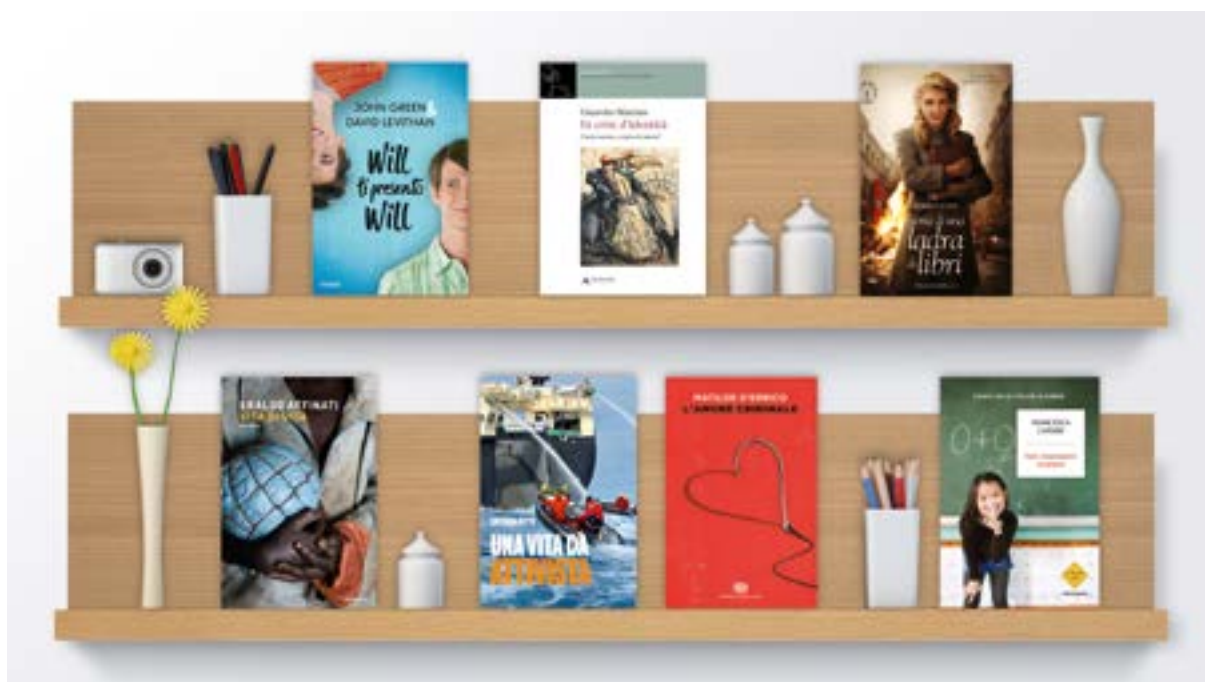
Mondadori guarantees the freedom of expression of its authors and promotes the expression of different opinions through a broad spectrum of topics and points of view. These values are the primary asset of every publisher and are therefore indispensable in the creation of products and services designed for as big an audience as possible.

If, for example, one considers book production, in 2014 the various publishing brands published 2,795 new titles, encompassing a wide range of themes and genres. More specifically, there were different approaches to the theme of disability, both congenital and acquired, as explored in several

touching accounts (Valentina Acciardi, *Mi riprendo la vita con una mano*, Mondadori Electa; Laura Rampini, *Nessuna barriera fra me e il cielo*, Mondadori; Naoki Higashida, *The Reason I Jump*, Sperling & Kupfer); stories, fictional and not, related to humanitarian tragedies of last century (Markus Zusak, *The Book Thief*, Frassinelli and Witold Pilecki, *The Auschwitz Volunteer*, Piemme, connected with the persecution of the Jews; *Magazzino 18* by Simone Cristicchi, published by Mondadori, on the *foibe* killings); and two biographies of Nelson Mandela (Viviana Mazza, *Il bambino Nelson Mandela*, Mondadori, for children, and John Carlin, *Knowing Mandela: a personal portrait*, Sperling & Kupfer).

Plenty of space was reserved for the personal accounts of those that suffer from debilitating diseases: from diabetes (Monica Priore, *Il mio mare ha l'acqua dolce*, Mondadori) to Alzheimer's (Giulio Scarpati,

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PRIVACY PROTECTION

Ti ricordi la Casa Rossa?, Mondadori), cancer (Roberta Liguori, *Perché io sogno forte*, Mondadori) and rare congenital diseases (Caterina Simonses, *Respiro dopo respiro*, Piemme).

The majority of the Group's brands focused particular attention on the theme of violence against women: from the report by Matilde D'Errico, *L'amore criminale* (Einaudi), to the study by criminal lawyer Alessia Sorgato, *Giù le mani dalle donne* (Mondadori Electa), from the raw account by Valentina Pitzalis, *Nessuno può toglierti il sorriso* (Mondadori), to the delicate narrative of *La moglie magica* by Sveva Casati Modignani (Sperling & Kupfer).

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Another topical issue, immigration, was the subject of Francesca Caferri's investigation *Non chiamami straniero* and the novels by Eraldo Affinati, *Vita di vita*, and Mario Desiati, *La nave di zucchero*, all published by Mondadori.

The panorama of voices and topics represented by the Group's new books in 2014 also included Caterina Nitto's autobiographical *Una vita da attivista* (Mondadori Electa), which recounts her ten or so years of environmental activism on Greenpeace ships; Raffaele Marchetti's *La politica della globalizzazione* (Mondadori Università), an essay that summarises political thought on internationalisation, globalization and localism issues; the twofold approach to gender diversity, addressed from a scientific standpoint in Gianvito Martino's *In crisi d'identità* (Mondadori Education) and from a perspective more suitable for adolescents in the novel *Will Grayson Will Grayson* (Piemme, by David Levithan and John Green).

Finally, in addition to being a channel for sustainability projects, our magazines and websites express the opinions of different people in terms of ethnic groups, gender, disability, sexual orientation, religion, age and income.

Privacy protection and the protection of personal data represent a relevant issue for any organisation. In the performance of its activities, Mondadori has equipped itself with a series of tools, both at Group level and in terms of its individual companies, with specific procedures depending on the nature of the business, aimed at applying the law (Italian Leg. Decree no. 196/03, the 'privacy law') and the recommendations provided by the competent Communications Authority for the protection of personal data.

PRIVACY AT GROUP LEVEL

At Group level, privacy protection is ensured by a procedure for all those who wish to access the Mondadori websites through registration.

At the end of 2010 a Customer Relationship Management (CRM) function was established with the objective of developing an integrated contact management system with customers: a single structure in which customers of all business units are grouped together and IT processes are developed to reconcile customers belonging to different Group companies. The building of the Mondadori customer database was completed in October 2012.

This makes it possible to identify a Mondadori customer with the subscription owner of a Group magazine, an e-commerce buyer, a customer registered on the Mondadori loyalty programme and people registered on the Group's e-learning platforms or an online community, and to collect a multitude of information from such data for use in targeted communication campaigns or special initiatives, while concurrently ensuring compliance with the indications provided by individual customers upon registration (or subsequent changes).

In 2014 two important changes in the privacy sphere were made on all Group websites following the update of the Italian and European regulatory system:

Cookie Policy

According to the indications of article 122 of the Privacy Law, amended with Italian Leg. Decree no. 69/2012, the Group websites display a notice on the use of cookies for various purposes, referring to the company Cookie Policy, visible on the corporate website at <http://www.mondadori.it/Extra/Cookie-Policy>.

Privacy Policy, Privacy Notice and request for authorisation

According to the interpretative review of Italian Leg. Decree no. 196/2003 issued by the Communications Authority for the protection of personal data with opinions and guidelines of 15 May 2013 and 4 July 2013, and on the basis of an analysis of the documents published at European level by the Working Group pursuant to art. 29, the registration forms for the Group's websites and services were updated to include the request for authorisation to use the data. Also modified were the Group Privacy Notice and Privacy Policy, which can be found respectively at http://digital.mondadori.it/new-privacy-2014/informativa_privacy.html and <http://www.mondadori.it/Extra/Privacy-Policy>.

PRIVACY AT MONDOLIBRI

For Mondolibri, a company within Mondadori Direct that sells editorial products through the book club formula, the management of the member database is a key function. For this reason, it monitors and keeps constant track of the total number of claims associated with privacy violations. Mondolibri has developed a rigorous system of contact management, which is regularly checked and updated. The

system is developed and maintained in compliance with applicable legal provisions.

Claim origin	2012	2013	2014
Control bodies	1	-	-
External bodies (other)	10	7	6
Total	11	7	6

No cases of customer data loss were registered in the period of reference.

In 2014 Mondolibri modified the information contained in its materials (club membership coupons, catalogues, postal warnings, websites, reminders and delivery documents) to align it with the requisites of the Italian Leg. Decree that transposes the European directive on consumer rights 2011/83/EU into law.

In July, the new notice included the email address dedicated to privacy issues (ufficioprivacy.mli@mondolibri.it) and the phone number 199114455.

PRIVACY AT CEMIT

Since it works with a proprietary database and third-party databases (customers and suppliers), Cemit is occasionally subject to inspections by the Communications Authority for the protection of personal data via the specific branch of the Finance Police, as is standard practice for other companies. Cemit manages the protection of personal data in compliance with applicable laws and, in particular, the provisions of the Privacy Law, thus fulfilling all legal obligations. To this end, Cemit issues interested parties with a suitable privacy notice which indicates all elements required by law and, in particular, the contact persons to



ACCESSIBILITY OF OUTPUT

which each interested party can refer to request the modification or cancellation of their personal data. Such requests may be made in different ways (email, telephone, and letter).

On the basis of the requests of interested parties as regards the cancellation of their personal data from the databases (which in 2014 fell compared with past years from an average of twenty a day to five a day), Cemit removes the personal data of the requesting party from its databases, thus preventing any subsequent use.

The Cemit website includes a link to the Public Register of Claims, a service specifically designed to protect citizens; all those who no longer wish to receive phone calls for commercial purposes or participate in market surveys may register. At the same time, the Register is a tool to make the market more competitive, dynamic and transparent among telephone marketing operators.

In line with the changes adopted at Group level as regards the protection of personal data, and considering their relevance for the execution of Cemit's specific activities, in 2014 the company carried out a further series of checks on its acquired databases in order to consolidate its compliance with privacy laws.

Mondadori produces a wide range of content distributed through different consumer channels: paper and electronic books, magazines, websites, apps and radio.

The company has also begun to focus particular attention on developing multi-device content which can be accessed both online and offline, not only on PCs but also on mobile devices such as e-readers, tablets and smartphones.

ME BOOK – THE MULTI-DEVICE DIGITAL TEXTBOOK

Mondadori Education focuses close attention on the accessibility of its products: in fact, in recent years it has made important investments in the development of digital products and related educational products.

The digital textbook is one of the biggest new developments in the education world in recent years. And its popularity is set to increase thanks to the law that will see a strong drive, as of the 2014-2015 academic year, towards the adoption of combined-format textbooks (paper text with digital version and additional digital content) and even fully-digital textbooks.

More specifically, the biggest market development in 2014 was the cancellation of the ban on the adoption of new textbooks also in the primary school segment, with the introduction of next-generation products (following the bans, the primary school segment only had products produced up until 2009, characterised by poor multimedia content). The introduction of products with increased digital content also in this school segment generated excellent benefits in terms of accessibility and the user-friendliness of the content.

Despite the strong impulse to adopt digital products, the penetration level of 100% digital textbooks is still very low in Italy, while the growth rate of combined version products is growing more than proportionally: consistent with this trend, Mondadori Education has always been committed to making targeted and selective investments in the development of the digital product range.

With this in mind, in 2014 the publishing house further developed its multi-device digital textbook, the MEbook. Important investments were made to equip the digital textbook with tools and functions that facilitate digital learning and help teachers to manage the diversity of the class, guaranteeing the possibility of personalising content and developing diversified educational syllabuses in all school years and segments.

In particular, as well as the decision to prioritise the use of digital sample books for teachers as opposed to paper versions, the teacher's guide was also improved to include notes, tips, courses, addi-

tional tests and other material to help them when teaching.

The MEbook can be accessed on all devices (computer, tablet, smartphone) by using the special reading app. It doesn't require a permanent internet connection as it also functions offline; in addition, to facilitate usage on mobile devices, it is possible to download only the required parts of the book or single chapters.

More specifically, new functions have been introduced that make it more user-friendly and intuitive. A new feature, the "liquid book", has been introduced to improve accessibility, enabling the text to adapt to various devices. The limitations of the fixed page layout have been overcome and the accessibility of the content improved to offer new ways of studying and reading. The liquid book is particularly popular with students with special learning requirements as it enables content to be read and accessed in the most suitable format and size for their device, also offering the option of using a font that is easier to read.



From a production perspective, the introduction of the liquid book also involved the re-engineering of text production and layout processes as it requires the digital layout to be processed in a different way: a product innovation that also necessitates a production process innovation.

In 2014 the liquid book was made available for 5% of new products, making it possible to test its impact on production.

In parallel with its investments in the development of digital products, Mondadori Education continued to invest in its educational range in 2014 with the LinkYou training programme, which was launched in 2012 before exploding in 2013. Designed to support teachers in the use of digital teaching materials through seminars, events, personalised training courses and webinars with the aim of using new technologies to create more effective and engaging lessons, in 2013 the training course focused most closely on basic principles, the main goal being to support teachers in using the new tools. In 2014, meanwhile, with LinkYou Mondadori Education offered teachers genuine digital teaching courses with a similar, if not greater commitment compared with the previous year, also in terms of quantity, underlining the publishing house's engagement with an issue that is particularly important to teachers.

publishing house, university professors and subject matter experts between February and May.

In addition to digital material designed for multimedia use by the general public, Mondadori Education is also sensitive to the needs of differently-abled students.

In compliance with the Governance Code of the educational publishing industry of AIE (Italian Association of Publishers), Mondadori Education has entered into agreements with the Italian national associations involved in the reproduction of school texts for sightless or partially-sighted individuals ("Regina Margherita" Italian Library for the Blind, a non-profit organisation) and individuals with learning disorders (Digital Library of the Italian Dyslexia Association).

Mondadori Education also organises seminars and webinars on learning disabilities and special educational needs for teachers.



The 2014 LinkYou programme also took the form of webinars: LinkYou Webinar is a series of online training seminars designed to help teachers use and become familiar with the new digital tools. Sixteen online seminars were held by authors of the

CUSTOMER RELATIONS

The Mondadori Group interacts constantly with its end customers through all of its communication channels: books, magazines, stores and book clubs, radio (R101), internet (corporate website, product sites, service and e-commerce websites, social networks), and relationship marketing (Cemit).

The most structured public relations initiative in 2014 was the ExpoExpress project. ExpoExpress, the Expo Milano 2015 exhibition train developed by Expo, Mondadori and Ferrovie dello Stato, travelled across Italy to showcase the values of the universal exposition that will be held in Milan from 1 May 2015 on the theme of “Feeding the planet, energy for life”.

The train left on 30 August 2014 and travelled the peninsula, from Venice to Reggio Calabria (14 December), stopping in the 15 biggest Italian cities during their most significant events: in Venice during the Film Festival, in Trieste during the Barcolana, in Bari for the Fiera del Levante, in Rome for the International Film Festival. During its long journey, ExpoExpress hosted a whole series of projects, events, shows, cooking demonstrations, fashion casting calls and meetings with Expo Milano 2015 testimonials and ambassadors, organised in association with the Mondadori magazines *Donna Moderna*, *Grazia*, *Sale&Pepe*, *Starbene* and *TuStyle*.

ExpoExpress was above all a place for sharing and describing the experiences of people that have managed to turn their dreams into reality thanks to *Sogni possibili*, the first example of mobile journalism in Italy, conceived by *Donna Moderna*. This project consists of a web series that, with the help of a smartphone, collected the stories of everyday people that changed their jobs or routines in order to chase their dreams. The videos spotlighted those who, with bravery



and determination, undertook ambitious projects - in groups, in couples or professionally - that all shared a desire to change, and the possibility of sharing and involving others. The stars of the *Sogni Possibili* web series climbed aboard the train and, stop after stop, told their stories, which were featured every week in *Donna Moderna* and online at possibili.donnamoderna.com.

With the development of the activities on the social networks, the relationship between the publishing houses and their readers have quickly intensified and strengthened.

In 2014, for example, Einaudi mainly focused its social activities on Twitter, using Pinterest to announce the weekly news in the bookshop and in the e-books area, and to create a number of thematic boards, such as the one on the new book by Thomas Pynchon, *Bleeding Edge*, which was geolocalised on a map.

A number of initiatives were particularly popular on Twitter in 2014, such as the release of *L'armata dei sonnambuli* by Wu Ming, which was preceded by a carefully planned project to engage followers that covered a period of several months.

Another highly-anticipated event in 2014 was the run-up to the Nobel Prize for Literature, traditionally followed by Einaudi with the hashtag #TotoNobel from the weeks that precede the announcement of the winner in October through to the live tweet on the Nobel Lecture in December.

Also on Twitter, users chose the Einaudi brand as a finalist, together with Nutella and Vodafone, at the Tweet Awards for the best Italian brands.

One social experiment that enjoyed notable success in 2014 was the launch of *Longbourn House* by Jo Baker, a spinoff of *Pride and Prejudice*: for the first time, the publishing house invited literary bloggers and members of the Italian Jane Austen fan club to its head office to meet the editors and the translator of the book.

As part of its continuous social media work, Edizioni Mondadori also launched initiatives that involved the public. #scheggedisplendore is inspired by the Margaret Mazzantini novel *Splendore*: the hashtag created on Instagram and launched on the other social networks invited the community to photograph the splendour of everyday life, taking their inspiration from the book. The author chose the best 33 of the 1500+ tagged photos, which formed the basis of a travelling exhibition. As well as the winner, the opening of the exhibition in Milan was attended by the author and a crowd of readers and fans.

The second initiative promoted on the social networks regarded the presence in Italy of Ken Follett, who had come over for the release of his new book *Edge of Eternity*. The event #InViaggioConFollett was organised during the author's train ride from Rome to Milan, with Follett accompanied by a selection of influencers and bloggers, plus four winners of the competition connected with the book organised by Edizioni Mondadori and Igersitalia, and seven students of Scuola Holden, the storytelling and performing arts school. The event was followed in real time on Twitter, Facebook and Instagram by 5.3 million people in just a single day, as well as many other unwitting travellers.

Finally, as part of the LinkYou training programme (see p. 56), since 2013 Mondadori Education has used evaluation forms to collect comments and ideas from the teachers that use the service in order to improve it and adapt it to the real needs of the customer.



CUSTOMER SATISFACTION

Mondadori monitors customer satisfaction through different initiatives.

MONDADORI STORE IS “INSEGNA DELL’ANNO” 2014 / 15 IN THE BOOKSHOPS CATEGORY

The “Insegna dell’Anno” prize, previously known as the “Retailer of the Year” award, is the most important customer research initiative in Italy. Developed in the Netherlands in 2003, it first came to Italy in 2008.

The award stems from the desire of customers to express their opinion on the performances of their favourite retailers. Those with the best product range in terms of price, variety and service, in the opinion of the customer, are honoured. The prize

is awarded to the chain stores (divided according to product type) that achieve the highest score in what are regarded as the nine most important areas in the purchasing process. In 2014 the Mondadori Direct chain, with the new brand Mondadori Store, participated in the competition, winning the bookshops category.

MONDADORI LOYALTY PROGRAMME

Mondadori offers a free loyalty card - the Mondadori Card – to all retail customers of age. The card can be used in the majority of the Group’s physical and online stores to subscribe to the Mondolibri clubs, purchase subscriptions to some Mondadori magazines and register for free with the online communities. The online and offline stores,

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the websites and services that issue and accept Mondadori Cards can be recognised by the promotional material on display. The list of the stores, websites and services involved is also available at www.mondadoricard.com.

By presenting the card at the cashier's desk before each purchase or making purchases at participating online stores, customers accumulate points that can be used to obtain discounts at participating Mondadori stores or on online stores selling books, subscriptions or other Group products. Points can also be accumulated by participating in certain activities on the Group websites, registering with one of the Mondolibri book clubs, or subscribing to some magazines: the list of websites and magazines is available at www.mondadoricard.com.

Mondadori Card holders can enjoy dedicated services and special initiatives, as well as specific discounts in over 2,000 third-party stores in Italy. By logging on using their password, they can access the www.mondadoricard.com portal, also by smartphone, to check their data, the number of points they have accumulated, purchasing suggestions and current promotions and special offers.

Since December 2014 the Mondadori Loyalty programme has measured the satisfaction of its customers using the NPS (Net Promoter Score) concept, which also aims to identify all points of contact between the programme and the end customer that can be improved. This initiative began with a general survey of the Loyalty customer base with email address and privacy consent, and will continue in 2015 as part of a larger project to dialogue with customers and improve the customer experience of Mondadori Loyalty customers.

DIALOGUE WITH CUSTOMERS

Mondadori's focus on meeting customer requirements translates into **a constant commitment to guaranteeing the clarity and accessibility of information regarding the company and its products.**

To this end, the corporate website www.mondadori.it (www.mondadori.com for the English version) contributes by providing users with all the links to other Group websites, email addresses needed to obtain the necessary information and links to the main social network channels of individual businesses or products.

Users can also write to the dedicated email address redazione.internet@mondadori.it with requests if no appropriate address can be found among those listed on the corporate website. This address receives around 3,000 messages yearly (3,360 in 2014), which are promptly redirected to the relevant employee for attention and/or are answered with the information requested.

A more detailed example of the exchange between the company and its customers can be seen in the initiatives implemented by Mondolibri for its members.

MONDOLIBRI: TRANSPARENCY SERVICE AND RELATIONS WITH MEMBERS

With the launch of the Transparency Service in the second half of 2010, Mondolibri made the telephone contact numbers and email addresses needed to request information or solve problems regarding club membership or orders available to all its members on all the club's websites and on its official Facebook page.

Mondolibri communicates constantly with its audience through a variety of projects aimed at ensuring direct contact between members and the

company. One example of these is the meetings with writers, held in Mondolibri bookshops. These meetings are intended to stimulate an interest in reading and increase the sense of belonging to the club.

As in the past, in 2014 Mondolibri once again involved its members in the collective creation of a book, *Buono di natura*, written entirely with their contributions. The project began in September with an invitation to members to post a recipe on the website or send it to one of the club bookshops. The book, due to be published in May 2015, is a “green” recipe book featuring 250 recipes chosen from among those proposed by members in which fruit and vegetables are the main ingredients.





PEOPLE: A CONTINUALLY EVOLVING RESOURCE

**Composition
of workforce**

**Industrial
relations**

**Staff selection
and development
tools**

**Remuneration
and incentive
system**

Training

**Benefits
for employees**

THE CURRENT NATIONAL AND INTERNATIONAL SCENARIO AND THE RAPID CHANGE IN THE COMPETITIVE SCENARIO OF THE MEDIA INDUSTRY MAKE THE GROUP'S ABILITY TO RENEW ITSELF AND INNOVATE QUICKLY AND EFFECTIVELY INCREASINGLY STRATEGIC. IN THIS CONTEXT, HUMAN RESOURCES PLAY A VITAL ROLE BECAUSE THEY ARE TASKED WITH PROMOTING, GOVERNING AND GUIDING CHANGE.

64 THE GROUP'S HUMAN RESOURCES DEPARTMENT AIMS TO ATTRACT AND DEVELOP DYNAMIC AND PROACTIVE INDIVIDUALS WHO ARE DRIVEN TO ACHIEVE CONTINUOUS GROWTH AND RESULTS. MONDADORI STAFF ALSO SHARE A STRONG PASSION FOR PUBLISHING, AND AN ABILITY TO WORK AS PART OF A TEAM IN AN INTERNATIONAL AND INNOVATIVE ENVIRONMENT. THE COMPANY THEREFORE PAYS SPECIAL ATTENTION TO PROFESSIONAL AND MANAGEMENT TRAINING AND DEVELOPMENT, ESPECIALLY FOR ITS YOUNG RESOURCES.

TRAINING IS ONE OF THE KEY TOOLS FOR MOTIVATING STAFF AND STRENGTHENING INTERNAL CAPABILITIES AND EXPERTISE. TO THIS END, HUMAN RESOURCES IS COMMITTED TO UPDATING AND INNOVATING CONTENT, TRAINING CRITERIA AND INTERNAL GROWTH PLANS ON A DAILY BASIS.

COMPOSITION OF WORKFORCE

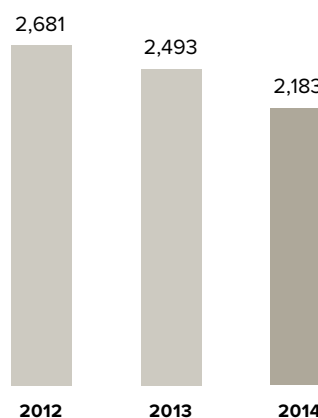
The evolution of media companies in the last three years has seen two contrasting requirements emerge: the need to update skills and expertise on the one hand and, on the other, the need to reduce the size of the workforce because of the change in the economic conditions that the sector has to contend with.

As already illustrated in previous years, in 2012 a restructuring plan relating to employees with national graphics-publishing contracts was launched, largely through early retirement schemes authorised by the Ministry, which concluded in April 2014. In 2013 this was joined by the agreement regarding journalists in the Magazines Italy area (which will conclude in May 2015) which involves a reduction in workforces and redundancy schemes, and a series of agreements for the recourse to redundancy schemes of Mondadori Direct staff (extended in 2015).

Lastly, the company reorganisation activities, with the transfer of the business relative to the sale of advertising space to Mediamond and the transfer of the company branch responsible for the management of IT service infrastructures to IBM S.p.A. (both effective as of 1 January 2014), contributed to shaping the current structure of the Group workforces in Italy.

The following tables show the reduction of the workforces over the 3-year period (data taken at 31 December in each year). For the current year, the data do not take account of employees that became part of the reporting scope in the month of December 2014 with the acquisition of Kiver S.r.l. (for these see the tables at the end of this paragraph).

HEADCOUNT 2012 - 2014 - ITALY

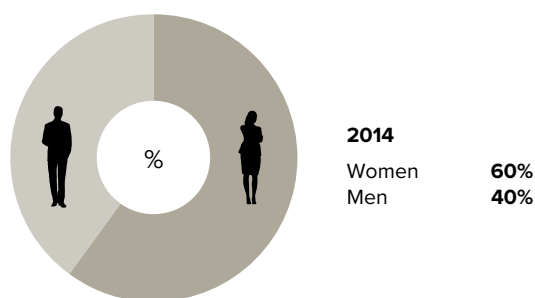


HIRINGS AND TERMINATIONS

		2012		2013		2014	
Gender	Age	Number	%	Number	%	Number	%
HIRINGS							
Men	< 30 years	18	16%	9	17%	7	9%
	30 - 50	29	26%	10	19%	17	23%
	> 50 years	3	3%	7	13%	3	4%
Total men		50	45%	26	48%	27	36%
Women	< 30 years	25	22%	19	35%	18	24%
	30 - 50	33	29%	8	15%	30	40%
	> 50 years	4	4%	1	2%	0	0%
Total women		62	55%	28	52%	48	64%
TOTAL		112	100%	54	100%	75	100%
TERMINATIONS							
Men	< 30 years	13	7%	11	5%	8	2%
	30 - 50	39	21%	40	17%	80	21%
	> 50 years	29	16%	62	26%	74	19%
Total men		81	44%	113	47%	162	42%
Women	< 30 years	9	5%	19	8%	18	5%
	30 - 50	51	28%	59	24%	110	29%
	> 50 years	42	23%	51	21%	95	25%
Total women		102	56%	129	53%	223	58%
TOTAL		183	100%	242	100%	385	100%

Turnover rate (leaving employees)	2012	2013	2014
	6.80%	9.70%	17.64%

The following tables show the percentage breakdown of the workforce according to gender, age, area of activity and qualification.



WORKFORCE BY AGE

2014	% of total	Of which women	Of which men
Less than 30 years	2%	67%	33%
From 30 to 50 years	72%	61%	39%
Over 50 years	26%	55%	45%

WORKFORCE ACCORDING BY BUSINESS

2014	% of total	Of which women	Of which men
Headquarters	16%	50%	50%
Books	26%	62%	38%
Magazines	25%	66%	34%
Advertising	2%	70%	30%
Retail	26%	59%	41%
Radio	1%	29%	71%
Digital	4%	53%	47%

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WORKFORCE ACCORDING BY LEVEL

	2013			2014		
	% of total	Of which women	Of which men	% of total	Of which women	Of which men
Executives	5%	21%	79%	5%	25%	75%
Middle managers	12%	53%	47%	12%	54%	46%
Office workers	65%	64%	36%	65%	64%	36%
Journalists	13%	66%	34%	13%	69%	31%
Workers	5%	30%	70%	5%	28%	72%
Total		59%	41%		60%	40%

All Mondadori employees are covered by collective labour agreements, mainly graphics-publishing, journalist and sales contracts.

2014	% of total	Of which women	Of which men
Graphics-publishing ¹	61%	59%	41%
Journalists	13%	69%	31%
Sales	25%	58%	42%
Other	1%	24%	76%

¹ including Industry executives

Over 99% of employee contracts are permanent.

	2013			2014		
	% of total	Of which women	Of which men	% of total	Of which women	Of which men
Permanent ¹	99.2%	59%	41%	99.6%	60%	40%
Temporary	0.8%	71%	21%	0.4%	78%	22%
Total	2,493			2,183		

¹ including apprentice contracts

13% of employees work part-time, the majority of whom women.

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	% of total	Of which women	Of which men
Full time	87%	56%	44%
Part time	13%	86%	14%

Almost 4% of employees enjoyed parental leave (a right granted to all employees, regardless of

contract type), the majority of whom women (96%).

	2014		
	Men	Women	Total
Employees with right to parental leave ¹	880	1,303	100%
Employees who have enjoyed parental leave	3	81	3.8%
Employees gone back to work after parental leave	2	75	3.5%
% of employees returning to work and retention after parental leave	67%	93%	92%

¹ the headcounts at 31 December 2014 are reported to ensure consistency with the other tables in the chapter; it should be underlined that, as regards the employees that took parental leave, the total number includes those not covered by the end-of-year headcounts because of terminations/resignations

EMPLOYEES OF SUBSIDIARY KIVER S.R.L.

Total	%W	%M	Age	Tot	%W	%M	Contract	Tot	%W	%M	Level	Tot	%W	%M
13	46%	54%	<30	8%	-	100%	Sales	77%	60%	40%	Office workers	69%	56%	44%
			30-50	92%	50%	50%	Other	23%	-	100%	Middle managers	31%	25%	75%



INDUSTRIAL RELATIONS

Industrial relations, which cover all Group companies and employees, are characterised by a constant and open dialogue that takes place through frequent meetings on specific issues and annual corporate commitments, such as the European Works Council (EWC), which involves Italian and French representatives.

In 2014 industrial relations were largely geared towards the definition and management of agreements designed to modernise the organisational structures, contain costs and achieve levels of efficiency suitable for restoring profitability and the new economic scenarios.

As described in the previous reports, two restructuring plans have been launched since 2012 (April 2012 and March 2013), which have involved the Magazines Italy and Headquarters areas.

The first regarded graphics-publishing staff in these areas and took place over a 2-year period, concluding in April 2014 with an overall reduction of 148 resources.

The second plan, focused on the world of journalistic editorial teams and effective until May 2015, led to a reduction of 87 resources (also following the closure of 5 publications at the start of 2013 and the sale of 2 others in March 2014) as well as the recourse to redundancy schemes and the extraordinary temporary lay-off scheme (CIGS) on a rotation basis for the entire editorial staff.

In the retail sector, agreements for containing labour costs were reached in 2014. In February an agreement was signed for the application of redundancy schemes and voluntary redundancy to employees at the head office in Milan and at the Rimini site; negotiations with the unions for the continuation of the application of shock absorbers also in 2015 began in December.

In addition, March saw the closure of the Brescia warehouse with the consequent reduction of staff and the transfer of activities to the Verona site, while in May 2014 an agreement was signed for the transfer of the Milan site to the Mondadori Group head office in Segrate.

Finally, in October 2014 the closure of the multicentre in Corso Vittorio Emanuele in Milan was finalised with the sale of the company branch and the application of the temporary lay-off scheme on a rotation basis and voluntary redundancy.

An agreement for the application of the exceptional temporary lay-off scheme for Cemit staff at the Turin and Segrate sites was also defined.

As for the publishing companies in the Books area, as well as daily actions to modernise and improve the efficiency of structures and processes, in December the logistics site of Signa (Florence) was closed with its activities transferred to the central warehouse in Verona. This was supplemented by additional streamlining actions involving the transfer of the Milan Piemme and Sperling&Kupfer sites to the Mondadori head office in Segrate, which took place in December.

The criteria of the respective national contracts (30 days for graphics-publishing and 70 days for sales) were respected in all cases of the transfer of business units and/or organisational change with negotiations launched several months in advance.

STAFF SELECTION AND DEVELOPMENT TOOLS

Mondadori is a complex organisation with numerous professional profiles. For this reason, it offers employment opportunities to candidates with different educational backgrounds, ranging from those with humanities degrees, who mainly work in the editing/publishing area, communications and human resources, to those with degrees in business administration and engineering, who are mainly employed, for example, in administration, finance and control, marketing and sales. An increasingly important role is also played by resources specialising in the new universe of the web, digital media and multimedia.

The introduction of newly graduated employees may also take place via a paid internship. Internships play a key role in deepening their knowledge of the Group, bringing into play their professional skills and giving them concrete work experience.

To get to know and improve human resources, a continuous updating process of the Performance Management system was launched in 2012 to further optimise the phases and tools and gradually extend it to all areas of the Group.

Performance Management is intended to provide middle management with a performance development and guidance system that reflects the company's objectives. Performance Management

enables an organisation to keep its managers and staff focused on the link between performance and strategy, even if it is necessary to make and implement difficult decisions or respond to changing markets.

In the 2014 edition over 400 assessors and assessed staff were involved with application extended to the IT Department and Advertising and Market Research.

The table shows the employees who have received a formal assessment of their performance in the 3-year period; the percentages shown represent the number of employees assessed in their respective categories.

The Performance Management results are also reflected in the training programmes (see paragraph *Training*, pp. 73-75) and in organisational development actions. Of these, of particular significance in 2014 was the organisational redefinition that regarded the properties area (which manages the Mondadori magazine sites) in the Magazines Italy Department, which was merged with the Marketing Innovation area (see paragraph *The digital evolution*, pp. 16-17), and the creation of organisational processes common to the business areas (e.g. with the creation of the new role of project manager, see paragraph *The digital evolution*, pp. 16-17).

	2012		2013		2014	
	Number	%	Number	%	Number	%
Executives	40	23%	70	58%	58	57%
Middle managers	87	29%	136	47%	147	57%
Office workers	135	8%	145	9%	204	14%
Total	262	10%	351	14%	409	19%

Total 2013: women 51% - men 49%

Total 2014: women 52% - men 48%

The future developments of Performance Management involve the digitalisation of the support tools in order to optimise processes and timeframes and to improve the results analysis processing phases. Thanks to the positive experience of the Journalist Mapping project (see below), the inclusion of a new file dedicated to the definition of the know-how of assessed resources and the extension of the system to graphics and publishing staff are under consideration.

Launched in the final quarter of 2013 and concluding in mid-2014, **the Journalist Mapping project outlined the professional characteristics and expertise possessed and used by Mondadori journalists**. The mapping phases involved the filling out of the Know-how form by each journalist, in which they indicated the professional experience that they have put into practice. The form was then checked by the manager. Publication editors then filled out the Expertise form, which outlines and confirms the ability of the individual journalist to use their knowledge, skills and personal qualities, social and/or methodological, in given working scenarios: the skills of the role and potential skills in the digital arena were described in terms of empirically observed behaviour. The process is completed with a voluntary Saville Wave Questionnaire which assesses individual and motivational characteristics, directly re-associating them with the person's skills and working performances.

The results of the mapping provided an immediate and in-depth insight into the journalists in terms of both skills and the analysis of the activities carried out by each one, with a focus on professional and extra-curricular interests. Since September 2014, when the system was activated, it has been possible to redeploy around 20 journalists in the editorial teams. This has made it possible to improve the efficiency and organisation of the editorial teams

with a more effective use of employed journalists during the recession, and above all to align the editorial organisational process with the multi-channel context (paper and digital). The results were then considered during the trial of a new integrated publishing system for the *CasaFacile* monthly in July-October 2014 whose widespread implementation is being assessed for the next few years.

The Journalist Mapping process also had positive effects on the training of journalist staff (see paragraph *Training*, pp. 73-75).

In the retail area, in 2014 Mondadori Direct launched a series of activities aimed at improving organisational efficiency. Of these, of particular relevance was **a business climate survey for staff at Mondadori stores under direct management and sales offices**. Participation in the survey topped 83%. The goal of the questionnaire was to establish the perception of the company on the part of the staff involved in terms of sense of belonging and the sharing of the mission and objectives, vertical and horizontal relations and collaboration, the working environment and professional role. The business climate survey also made it possible to identify areas of improvement in communications, engagement and participation within the company, highlighting strengths and areas of development, and laying the basis for future evolution.

REMUNERATION AND INCENTIVE SYSTEM

Mondadori pays its staff based on merit criteria related to skills, professional conduct and, in the case of managers, the results obtained.

In addition to a fixed salary, the employee remuneration system includes collective variable incentives (results-based bonuses), which exclude executives and employees (executives, middle managers and office workers) covered by the

MBO system, based on individual and company profitability and productivity goals. The aim is to incentivise staff to play a more direct role in achieving results.

Due to the ongoing negative results, the results-based bonus was not awarded in 2014; the MBO was applied to 360 employees.

	2012		2013		2014	
	Number	%	Number	%	Number	%
Executives	116	66%	97	81%	86	84%
Middle managers	146	49%	146	51%	127	50%
Office workers	138	8%	134	8%	126	9%
Journalists	29	9%	22	7%	21	7%
Total	429	16%	399	16%	360	16%

Some executives are also covered by:

- a medium to long-term incentive system (LTI) comprising a special cash bonus that can only be drawn after a multi-year period of reference and subject to the achievement of certain financial and economic objectives, both at a group level and in the individual business areas and functions; in compliance with the opinion given by the Compensation and Appointments Committee, following a suspension in 2013 due to the difficult market situation experienced by the company, the LTI scheme was reintroduced in 2014.

- remuneration plans based on financial instruments through the awarding of stock options, approved by the Shareholders' Meeting for the three-year periods 2006-08 and 2009-11, which run until the expiry of the vesting periods of 36 months after the grant date; this excludes the stock options relating to 2008, which expired and can no longer be exercised as the required conditions were not met; as of 2011, the Board of Directors decided not to grant stock options.



TRAINING

As already alluded to, Mondadori entrusts the Group Human Resources Department with the strategic role of guiding change and constantly driving innovation through the management of permanent training in the company.

On the basis of the Performance Management and Journalist Mapping results it was possible to update the training plan, bringing it more into line with the company's continuous evolution needs and the characteristics and aspirations of the workforce.

Through a thorough and in-depth dialogue with contact persons in the different business areas to find out the needs and demands within the various structures and businesses, a tailor-made training offer was developed to reflect the Group's objectives and growth strategies.

Training is organised into ad hoc and language training courses, in addition to worker health and safety training courses. The figures relating to these areas are shown in the sections below.

Type	2012	2013	2014
Ad hoc training hours	6,348	3,791	3,268
Language training hours	11,688	7,495	6,130
Safety training hours	2,532	9,430	8,640
Total hours of training provided	20,568	20,716	18,038

N.B.: figures could include estimates

	2012	2013	2014
Participants in ad hoc training	150	461	504

The gradual reduction in the number of training hours in the 3-year period is due to more contained investment as a result of the general process to reduce company overheads. The effects of this reduction were mitigated by **a greater focus on the specific nature of the courses and the greater involvement of staff**, as suggested by the growth in the number of participants in the ad hoc training courses.

AD HOC TRAINING

This is a system of specific initiatives capable of supporting the new internal requirements of the company, in line with individual targets and specific strategic objectives. More specifically, this training aims to strengthen leadership and negotiation skills (within courses common to the Books and Magazines areas), raise awareness of digital publishing issues (Books area) and writing techniques in the new media (*Donna Moderna* editorial team), and create ad hoc courses in the web marketing and social media areas.

This trend is closely connected with the need to continuously enhance management and business skills, and supports the integration of the various areas in the Group through an across-the-board approach.

From a methodological perspective, the ad hoc training is gradually supplementing traditional classroom teaching with advanced and multimedia forms of learning that prioritise action learning

and learning by doing, testing the skills and results of participants in the field. The introduction of mentoring figures, especially in the areas of technological and digital innovation, contributes to involving the management in the training process and keeping them focused on the company's goals.

In 2014 ad hoc training involved 504 employees for a total of 3,268 hours.

Ad hoc training	Hours 2014	Participants 2014
Training to executives	305	54
Training to middle managers	254	53
Training to office workers	1,704	358
Training to journalists	1,005	39
Total ad hoc training	3,268	504

Hours: women 59% - men 41%; participants: women 54% - men 46%

Ad hoc training (hours/employee)	2014
Training to executives	2.99
Training to middle managers	0.99
Training to office workers	1.19
Training to journalists	3.51
Women: 1.49 – men: 1.51	

N.B.: the figures relating to the training provided to workers can be found in the table regarding training on safety in the workplace

For journalists the training is different and specific for the category: according to the level two contract (specific to Mondadori) journalists can take advantage of 12 days of professional updating a year. In 2014, 1,452 days of professional updating were provided. The training provided to journalists involves courses and Master's qualifications in video journalism techniques, residential courses over-

seas and ad hoc training courses, particularly regarding digital issues, stemming from the Journalist Mapping analysis. It is also possible to submit single courses on an individual basis for the approval of the publication editor and the Human Resources Development Department. Finally, in accordance with European regulations on professional bodies, since last year the Ordine dei giornalisti (the na-

tional association of journalists) has requested that its members attend mandatory training courses, weighted in terms of points according to the topic and length of the individual course, until they reach twenty annual points.

In terms of the organised actions undertaken by Mondadori Direct, of particular note is the training project launched in September 2014 aimed specifically at store staff. Divided into several modules and taking place in different periods up until 2016, the project seeks to fine-tune the skills of store staff, focusing closely on the importance of the customer and entailing diversified in-depth phases according to role (staff, department heads, store managers) and objective. Of particular relevance within the project is the Master's in Book Retail Management held on the Campus of the University of Parma, which began in February 2015. Aimed

at 25 middle managers, office workers and franchisees, the Master is structured into 4 modules of 3 days each, running until June 2016, and seeks to improve the managerial and process knowledge and skills of the management in the Mondadori retail sector, expanding its know-how of the sector and providing management tools so it can develop its expertise. The teaching is carried out by lecturers from the university and company representatives.

LANGUAGE COURSES

Mondadori provides foreign language courses for its employees; the number of hours provided for these courses has fallen following the decision to focus training on production and business needs, and the consequent review of training investments.

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Language training	Hours 2014	Participants 2014
Training to executives	860	26
Training to middle managers	1,020	22
Training to office workers	4,250	85
Total language training	6,130	133

Hours: women 47% - men 53%; participants: women 47% - men 53%

TRAINING ON SAFETY IN THE WORKPLACE

Every year, Mondadori runs a specific course for its employees on issues relating to worker health and safety. In 2013 Mondadori launched a mandatory e-learning update course for all of its staff, to which classroom training was added for RSPP (persons responsible for prevention and protec-

tion) and RLS (employee safety representatives) roles. In 2014 Mondadori received approval for this trial training project: it was therefore also possible to launch the “specific part” of the mandatory safety training for all Group employees, again via e-learning. Each single training course ended with a final test carried out in the presence of RSPP or ASPP previously trained for this purpose.

Training on safety in the workplace (hours)	2012		2013		2014
Training to executives	16	e-learning	324	e-learning	256
Training to middle managers	88	e-learning aula	1,108 36	e-learning aula	908 48
Training to office workers	2,376	e-learning aula	5,366 1,660	e-learning aula	5,324 944
Training to journalists	24	e-learning aula	736 72	e-learning aula	1,124 4
Training to workers	28	e-learning aula	32 96	e-learning	32
Total training hours on safety & security	2,532		9,430		8,640
% of total training hours provided	12%		46%		48%
In 2014: (hours) women 60% - men 40%; (participants) women 61% - men 39%					

BENEFITS FOR EMPLOYEES

Mondadori's focus on its employees is also translated into the provision of benefits, services and activities for employees, both at and outside work, some of which were introduced following proposals from the staff themselves. The main ones are listed below; they can be used by each and every staff member, independently of their contract type, with the sole exception of supplementary healthcare benefits.

Flexible working hours

Flexible working hours, in terms of entering and leaving times, are permitted by Mondadori. The company also tries to meet employee needs by adopting flexible part-time contracts. In 2014, 287 employees worked part time.

Shuttle service

The shuttle service connects the Segrate offices with strategic locations in Milan in order to accommodate as many passengers as possible coming from various city districts and suburban areas around Milan, in connection with public transportation (ATM network, railways): Lambrate railway station, the Rogoredo underground stop and railway station, the Segrate light railway station, and Linate airport.

For this reason, in addition to Mondadori's agreement with ATM for the purchase of annual season tickets at reduced prices for its employees and members of staff to be used on the urban and suburban transport network of the entire SITAM (Sistema Integrato Tariffario dell'Area Milanese - Integrated Tariff System of the Milan Metropolitan Area) area, the company also signed an agreement with Trenord to offer discounted railway season tickets (Passante light railways and regional railway lines).

The company buses are reserved for employees, members of staff, suppliers and guests of the company. Every ticket has a symbolic cost of euro 0.03 for employees and members of staff, while occasional visitors travel free of charge.

Supplementary health insurance coverage

The supplementary health insurance coverage is a benefit offered as an option to employees (of Arnoldo Mondadori Editore S.p.A. and Mondadori Pubblicità S.p.A., and with the exclusion of executive managers), who have completed their trial period, and against payment of a monthly contribution. The supplementary health and social fund (FISS) partially covers some expenses and also makes other contributions in particular situations. Coverage can also be extended to family members.

As at 31 December 2014, the number of employees covered by the supplementary health insurance fund plan totalled 688.

Health service

The personnel operating in the Milan area can make use of a health service provided in the company offices, including blood tests, medical check-ups, pap tests and eye tests. In partnership with Avis, Mondadori has organised two blood donor days every year since 2006 at an Avis station at the Segrate offices; the following table shows the data concerning the healthcare service (excluding those of the two Avis blood donor days).

Type	2012	2013	2014
Blood tests	319	290	275
Medical check-ups	351	431	346
Eye tests	38	37	46
Pap tests	175	206	218

Tax assistance

In the last few years, a tax assistance service has been made available free of charge to employees for the filling out of their annual tax returns.

Subsidised products and commercial agreements

As well as the company bookshop at the Segrate site, where it is possible to buy books and DVDs with discounts of between 30% and 50%, Mondadori employees can also take advantage of discounts in the Group bookshops, on the e-commerce site and on magazine subscriptions.

There are also various discount agreements in place for the purchase of products and services: the updated list is published on the company Intranet.



All you
need
is...



sustainability

COMMITMENT TO THE COMMUNITY

**Support for the
community**

Mediafriends

**Panorama
d'Italia**

CONTRIBUTING TO THE REGION'S SUSTAINABLE DEVELOPMENT IS ONE OF MONDADORI'S KEY COMMITMENTS IN TERMS OF SOCIAL RESPONSIBILITY.

IN LINE WITH THIS OBJECTIVE, MONDADORI OFFERS SUPPORT TO THE COMMUNITIES IN WHICH IT OPERATES THROUGH SPONSORSHIP AND TARGETED SOCIAL INITIATIVES, WHICH CAN BE DIVIDED INTO

FOUR MAIN AREAS:

CULTURE, EDUCATION AND TRAINING;

SOCIAL SUPPORT AND HEALTHCARE;

YOUNG PEOPLE AND SPORTS;

ENVIRONMENT.

When selecting social assistance projects, Mondadori follows a specific procedure set out in the Code of Ethics which governs its methods of selecting initiatives to promote and support, involves the members of the Sustainability Committee as a whole or individually, and involves collaboration with Fondazione Sodalitas and other non-profit organisations, such as Mediafriends and the Italian Institute for Donation.

In 2014 an audit was carried out on the methods of managing social partnership initiatives organised by the Italian magazines, which highlighted areas of potential improvement in the process of choosing and conducting charitable activities.

Mondadori's social innovation strategy is expressed in a series of initiatives that can be categorised as follows:

- initiatives promoting culture: for more than 30 years, Fondazione Arnoldo e Alberto Mondadori has actively worked to preserve and promote the history of publishing in Italy. Since the mid-1990s, it has become a centre of research and study on Italy's publishing culture, joining a network of similar organisations in Europe and worldwide;
- social marketing activities: Cemit, a Mondadori Group company and relationship marketing leader in Italy, supports non-profit organisations in fundraising by preparing strategic plans (identifying targets, measuring the campaign's impact) and their operational management through various communication channels (e.g. mailing, tele-marketing);
- Mediafriends: a non-profit organisation founded in 2003 by Mondadori, Mediaset and Medusa, which devises, designs, realises and promotes events to raise funds for charity and to finance

targeted projects in a variety of sectors (see paragraph on p. 84);

- raising awareness of social issues: through its publications and other businesses (books, digital, radio, direct), Mondadori supports numerous projects and raises public awareness of social issues such as work, violence against women, environmental protection etc. (see paragraph *Panorama d'Italia* on p. 85).
- direct donation to charities: every year, Mondadori makes generous charitable donations to various organisations and associations for projects involving social assistance and healthcare, children, women and the differently-abled (see paragraph *Support for the community* on p. 82). The 3-year period saw a significant fall in contributions to associations following a structured cost-cutting process. Nonetheless, Mondadori aims to support social activities in the community as much as possible, even in a period in which the amount of funds available has undergone a significant contraction;

Euro/000

Type	2012	2013	2014
Gifts	740.0	552.4	475.8
Membership fees	1,694.9	1,953.8	1,524.1
Total	2,434.9	2,506.2	1,999.9

- support for sporting activities: Mondadori supports sport, as it fully endorses its values of friendship, teamwork and healthy competition. R101 has been media sponsor of the Stramilano marathon since 2006, is media partner of the Giro d'Italia bicycle race, and supports other events that promote sport;

SUPPORT FOR THE COMMUNITY

Euro

Type	2012	2013	2014
Sponsorships	655,790	441,499	307,702

- initiatives at the headquarters: Mondadori organises various charity and social initiatives at its headquarters (fundraising for non-profit organisations, blood donor days, recycling and delivery of meals to non-profit social welfare organisations);
- activities to promote sustainability: through its membership of associations such as Sodalitas and CSR Network, Mondadori plays an active role in the individual social utility projects that they promote.

To define its contributions to the community, since 2012 Mondadori has followed the formulation of the London Benchmarking Group in order to clarify the forms of support provided and their impact.

The London Benchmarking Group (LBG) is a network of companies that has developed a model to reclassify contributions to the community according to four standards:

- types of contribution
- types of initiative
- areas of intervention
- geographical areas of intervention.

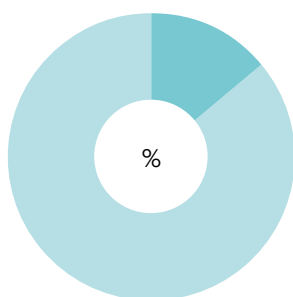
The model's objective is to measure all contributions made by businesses to the community: not just gifts but also output that is not expressed financially, such as contributions in kind or volunteer work done by employees.

The model is expressed through a matrix that summarises and quantifies the results of an activity in relation to the community, detailing the different inputs and analysing outputs and their relative impact.

In 2014, the resources allocated by the Group to communities were estimated at around euro 800,000.

In terms of contribution type, calculated solely on the total amount of gifts, charitable cash donations make up 86% while contributions in kind account for the remaining 14% (the impact of the "management of initiatives" category has not yet been estimated, and there were no employee volunteer initiatives conducted in 2014).

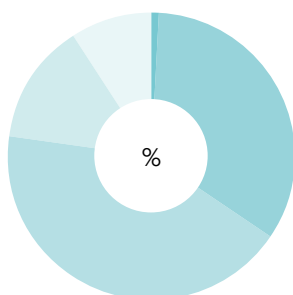
Regarding type of initiative, 38% comprise investments in local communities while 46% are business initiatives. Donations account for 17% of the total amount.



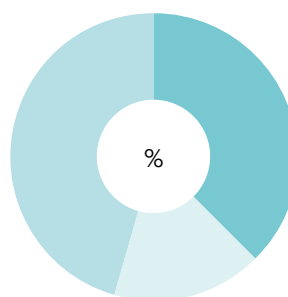
■ Contributions in kind **14%**
 ■ Cash donations **86%**

Business initiatives with a social impact include the sponsorship of sports events, such as the Stramilano marathon and the Giro d'Italia bicycle race.

In 2014, the company was involved in various areas of intervention, as shown in the chart below.



■ Environment **1%**
 ■ Young people and sports **34%**
 ■ Culture, education and training **43%**
 ■ Social support and healthcare **14%**
 ■ Other **9%**



■ Investments in local communities **38%**
 ■ Donations **17%**
 ■ Commercial initiatives with social impact **46%**

The geographical areas of intervention were not reclassified as the scope of the Mondadori Sustainability Report is currently limited to companies consolidated in Italy.

MEDIAFRIENDS

Established in 2003 by Mediaset, Mondadori and Medusa, in 2013 Mediafriends, a non-profit association, celebrated its 10th anniversary. The association devises, designs, develops and promotes events to raise funds for charity and to finance social promotion projects.

In its ten-plus years of activity, Mediafriends has promoted and supported a wide range of charity events, raising and distributing funds that have

enabled more 150 associations to implement 263 socially beneficial projects in Italy and the world.

From the very first project undertaken (*La Fabbrica del Sorriso* in 2003), Mondadori has actively contributed to the creation of products – with the proceeds from product sales contributing to the funds raised to support various projects – and in the communication and promotion, through its own media, of the association's activities.





PANORAMA D'ITALIA – ITALY'S RECOVERY BEGINS WITH ITALY

Mondadori has also participated in the creation of a book of fairytales which has been published every Christmas for the past 8 years, with the sales proceeds used to support projects for the children of the world. This year the *Le strade del sorriso* book told real-life stories stemming from the account of a long journey through the places in the which the associations operate. Over the years, thanks to the generosity of the Italian people, Mediafriends has been able to finance these associations all over the world.

As well as the stories of children, the book includes a mix of reports, motorbikes and interesting information on the countries visited by Anna and Fabio Stojan, two friends of Mediafriends who in 2012 travelled over 20,000 km by motorbike to describe different projects financed by Mediafriends across Asia.

The funds raised through *Le strade del sorriso* were donated to Fondazione Pro. Sa, which operates in Bangkok, Thailand to support the Camillian Home project founded by Father Giovanni Contarin, a centre for children that have psychophysical disabilities or the HIV virus. Located in the outskirts of Bangkok, the centre provides a unique service: it enables over eighty children to receive specific care and treatment in an environment that encourages and develops their individual capacities, independently of the seriousness of their psychophysical conditions.

Of all of the initiatives through which the Group's various businesses support the community, one experience in particular perfectly epitomises the innovative tendency observed at Mondadori in the last two years.

Between April and November 2014, weekly magazine *Panorama* promoted the **Panorama d'Italia** initiative, a journey through Italy to discover ten of its cities: Reggio Calabria, Lecce, Ancona, Parma, Verona, Verbania, Brescia, Viterbo, Catania and Salerno. The **Panorama d'Italia** mobile editorial station (the "Dome") spent four days in each of these cities, organising a series of events and forums.

As well as for editorial reasons, *Panorama* also launched this initiative to give a voice to cities that have been neglected by the mainstream media, i.e. those areas that over the years have not been the focus of media attention or which have been subject only to clichés. The cities involved in the project were chosen in accordance with this goal: depressed areas, or areas regarded as depressed, that have a great deal to offer but which have received little promotion over the years. The intrinsic aim of the project also shaped the choice of the methods used to convey the information: in fact, for the entire duration of the event, *Panorama* worked with local newspapers that had lost their "editorial vocation" over the years to help restore them as the mouthpieces of their communities.

Panorama d'Italia required painstaking organisation and promotion: indeed, the four event days in the individual cities were always preceded by months of preparation. For each stage, the weekly's journalists sought out local success stories, which were given ten pages of coverage in the edition of *Panorama* that preceded the four-day event. In addition, in the cities covered by the project the edition of the weekly that announced the stage



had two covers - the official cover of the weekly and one chosen by the city hosting the event.

The initiative stood out for its “cross media” approach: each event was transmitted via streaming on the dedicated website (www.panoramaditalia.it), on R101 and on television on TGCOM 24 (event partner). In addition, in the “Dome” there was a “social wall” that was designed to collect the general public’s comments and activities on Facebook, Twitter and Instagram. This multi-channel approach enabled *Panorama* to reach out to a larger and younger public.

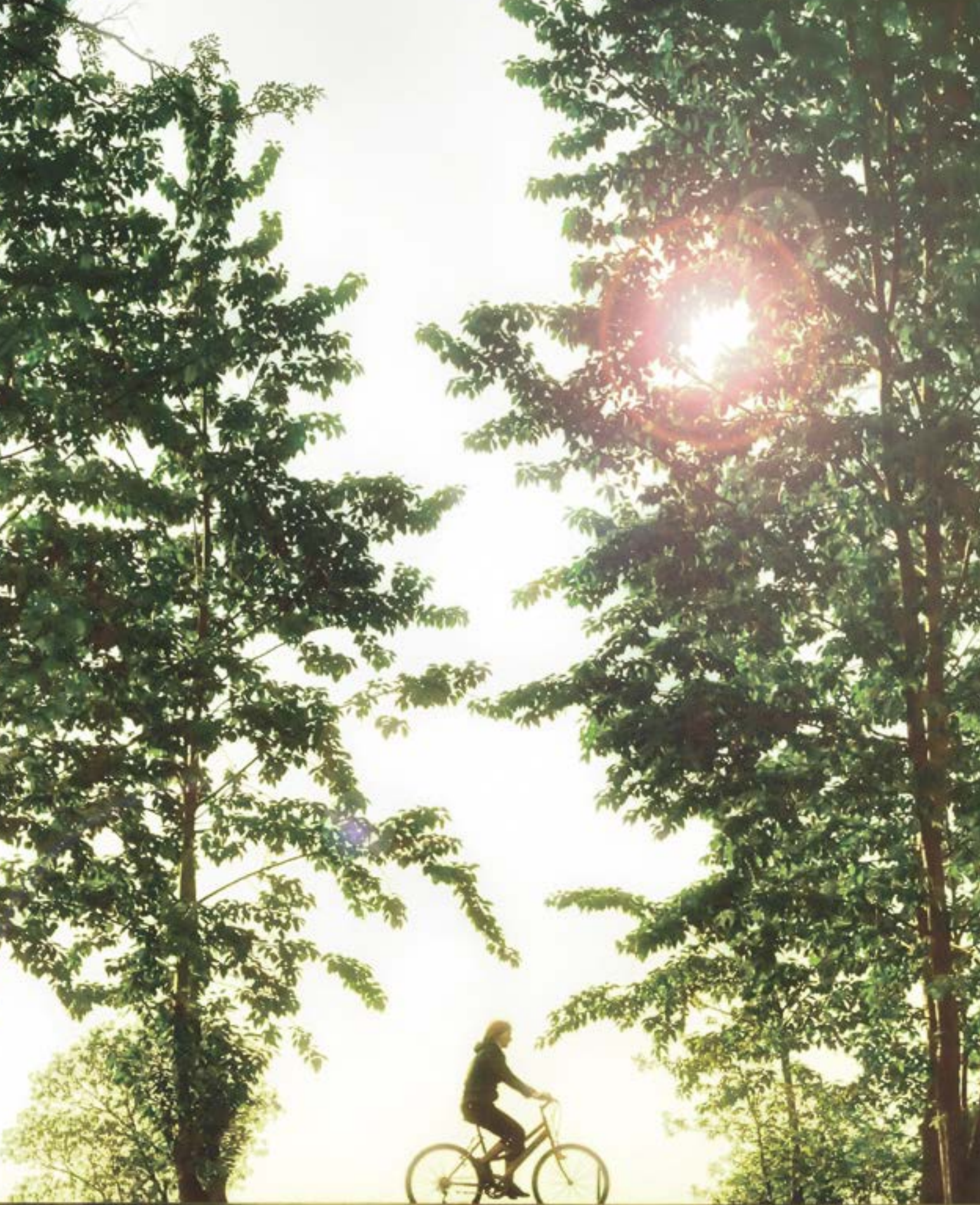
In fact, one of the main goals of the tour was that of **introducing young adults to the concrete possibility of opening a business, a start-up with an innovative organisational or production approach, active in the digital economy**. To this end, every stage involved a series of conferences, workshops, events with high-profile figures from the worlds of politics and national enterprise, meetings between universities, start-ups and the business world organised in association with Invitalia (the Italian agency for investment promotion and enterprise development, which allocated euro 180 million for startups in the South of Italy), with local Chambers of Commerce and with the Ferdinando Napolitano’s *Italian Business & Investment Initiative*, which followed events from New York.

Aside from the events closely connected with work and enterprise there were also **moments dedicated to some of Italy’s finest products: from cinema to food, from books to music and art**. As such, there were cooking demonstrations with award-winning or well-known local chefs, guided tours of the most symbolic local works of art by Vittorio Sgarbi, and meetings with authors, showbiz celebrities, actors and directors.

For all these reasons **Panorama d’Italia** was an initiative that “took” but also “left” something in the cities it visited: it highlighted tangible success stories, it gave young adults tools to access loans, and it created an awareness of the value of the local area. And, in order to understand exactly what it left in each city, *Panorama* plans to return to the cities it visited in 2014 and monitor the progress made after the event.

The figures related to this unprecedented event for Mondadori were remarkable: the forty-day tour involved over 500 businesses and 11 universities, and over 100 successful start-ups were presented; around 80,000 spectators took part as well as 300 speakers. The website produced over 420 posts, shared on the social media by almost 220,000 followers, with over 10,000 tweets and retweets. There were also 300 videos posted online and 77 live streams amounting to 100 hours of broadcasts for a total of 154,000 unique users connected. In addition to these there were the contacts provided by the 400 local media, involved as partners or more simply as reporters on the tour events. The overall audience reached therefore rises to 3 million Italians with 100 million total contacts.

The success of **Panorama d’Italia** has convinced Mondadori to hold it again in 2015 with the aim of doing much more and making the initiative more engaging, primarily by asking Italian cities to put themselves forwards as candidates.



ENVIRONMENTAL PROTECTION

**Climate
change**

**Initiatives to reduce
environmental
impact**

THE RESPONSIBLE USE OF MATERIALS

Despite the increasing importance of digital products, for a publishing group like Mondadori the consumption of paper and the use of packaging materials continue to have an important role when assessing its environmental impact.

In this section we analyse the use of paper (in terms of the raw material as well as returns and pulp) and the transportation of products, two activities with profound and diversified environmental impacts that are increasingly attracting the attention of Mondadori's customers and, in general, its stakeholders.

THE PAPER SUPPLY CHAIN

The paper production process, described in the graphic on p. 91, is carried out exclusively by paper mills. At the end, paper is delivered by the paper mill to the graphics company in charge of the printing process. The printed paper is then transported to the warehouse where it remains until it is shipped, through specifically designed logistics systems, to distributors and final users (see the following section which analyses this in more detail with particular reference to the Mondadori logistics systems).

Like the distribution of books and magazines through retail channels, the opposite process, that is the process of returns (described in the next section), is also worthy of attention.

When a book/magazine has reached a reader, the paper cycle continues in one of these three ways:

- the book/magazine remains at the reader's home and may be re-used (re-read, given as a gift, donated to schools and/or libraries);
- it is disposed of separately and recycled;
- it is disposed of together with unseparated waste.

Pulp paper, i.e. separate paper waste, is a valuable raw material: after being collected it is sent for recycling at the paper mill to produce new paper.

The process is summarised in the diagram on p. 92.

THE PAPER PRODUCTION PROCESS

RAW MATERIALS

Pulping

Logs are first stripped of their bark and converted into small chips to be then transformed into pulp (a concentrated mixture of fibers suspended in a solution).

Bleaching

The traditionally used bleaching agent is chlorine-based; however, recent developments allowed for the identification of environmentally low impact alternative bleaching substances. From the pulp obtained upstream of these processes, either cellulose bulks are obtained or directly paper sheets.

Paper sheet development and pressing

The cellulose solution is drained on a perforated conveyor belt (web); the fibers are concentrated and compacted making up an initial sheet (with a very high moisture percentage equal to 80%). Through a system of machines, paper web is brought to drying, where water is thoroughly removed by pressing and heat.

Polishing and calendering

Paper goes through a series of polished roller conveyors that press paper giving it a smooth finish; the calendaring process allows to obtain glossy paper.

Finishing

Paper undergoes a series of processes that gives it specific properties, for example glueing (necessary for printing paper), coating (this process includes the use of a solution based on color pigments, water and glue), polythene treatment (paper is coated with an extra-thin polyethylene film through the application of heat).

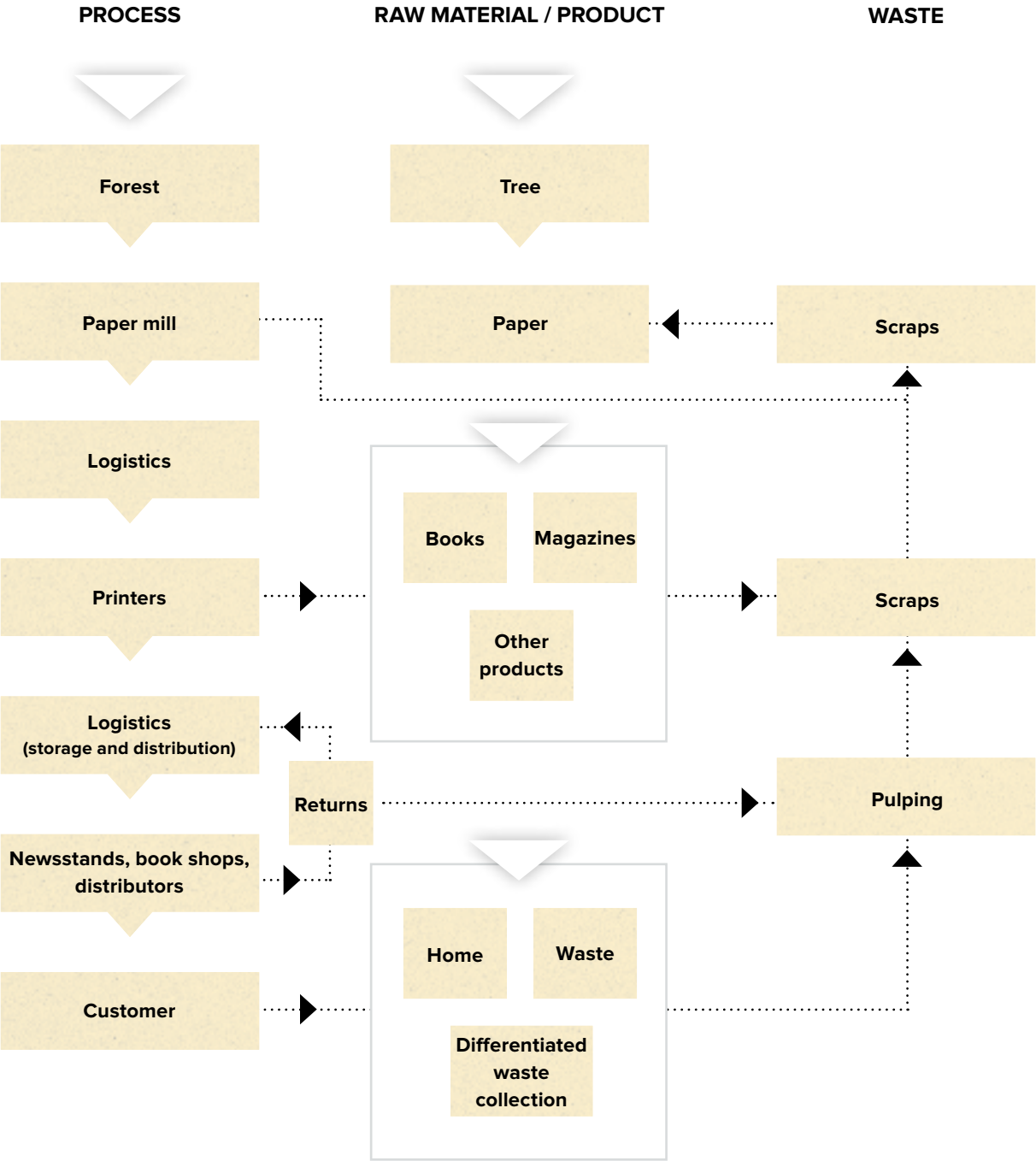
Drying and spooling

After drying, paper is fed onto reels to facilitate transportation.

PAPER

PAPER SUPPLY CHAIN

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PAPER MILLS

In 2014 the purchase of paper was partly managed by Mondadori directly and partly outsourced to third-party company Elcograf, which prints the majority of Mondadori's editorial products. In turn, Elcograf uses various paper suppliers both for prints destined for Mondadori and for those produced for other customers.

All Elcograf paper suppliers guarantee that the paper used:

- does not come from illegally cut wood;
- does not derive from wood cut in violation of the civil rights of the populations living in woodcutting regions;
- does not derive from wood cut in forests whose high preservation values are endangered by forest management activities;
- does not derive from wood cut in areas converted from forests to plantations or to non-forest forms of use;

- does not derive from wood cut in forests in which genetically modified trees are planted.

Some of these suppliers can also show that part of the paper used is FSC/PEFC certified. The guarantee of compliance with these standards is provided by independent certification companies.

PAPER USED TO PRINT MONDADORI PUBLISHING PRODUCTS

In 2014 the overall consumption of printing paper for the Mondadori Group in Italy totalled approximately 78,900 tonnes, down 5.8% against the previous year.

The figures shown in the table include the Mondadori Group's consumption of paper in Italy for the printing of books, magazines and other publications, such as school books and direct marketing materials.

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TOTAL PRINTING PAPER – MONDADORI GROUP (tonnes)

Type	2012	%	2013	%	2014	%
Certified paper	17,271	17.9%	19,306	23.1%	58,641	74.3%
Recycled paper	22	0.02%	0	0.0%	170	0.2%
Traditional paper	79,090	82.1%	64,461	76.9%	20,095	25.5%
Total	96,383		83,767		78,906	

As proof of the commitment undertaken by the company at the start of 2010, in 2014 there was a significant increase in the consumption of FSC/PEFC certified paper, which came to 74.3% of the total, as against 17.9% in 2012 and 23.1% in 2013.

This result stems from the Group's intention to increase the amount of certified paper it uses to

print its products; the direct purchase of the paper, which in 2014 already constituted 53.8% of all procured paper, also contributed to increasing the percentage of certified paper (68% of all certified paper; 50.8% of all paper).

Below is a summary of the paper purchases made by Elcograf and other printers, and those made directly by Mondadori.

PAPER PURCHASED (in tonnes)

Type	2013			2014		
	Paper purchased by Elcograf	Paper purchased by Mondadori	Total	Paper purchased by Elcograf	Paper purchased by Mondadori	Total
Certified paper	12,250	7,056	19,306	18,501	40,140	58,641
Recycled paper	0	0	0	0	170	170
Traditional paper	63,631	830	64,461	17,922	2,173	20,095
Total	75,881	7,886	83,767	36,423	42,483	78,906

As for the paper purchased directly by Mondadori, Cemit only purchased FSC-certified paper.

PUBLISHING PRODUCT AND PACKAGING MATERIAL LOGISTICS

The Mondadori Group's distribution logistics take the form of a series of overlapping networks that cover all of Italy and differ in terms of the type of product managed and transported.

These can be divided into the following channels: magazines (newsstands, subscriptions, dailies), books (trade and educational), book clubs (Mondolibri products) and e-commerce.

Many logistics processes include both direct shipping to the destination points of the reference channel and the return shipping of unsold products.

According to the channel, unsold products may go into storage, be re-processed for paper recycling or pulping (in the case of paper products), be destroyed or disposed of.

More specifically, the Logistics Department uses a lot of packaging materials: the table below shows the consumption of the main materials used by Mondadori (according to a conservative approach, these materials are considered as direct consumption also in the case of outsourcing). They include materials used by Mondadori in the shipment of books from Verona, Brescia (Mondolibri, 2012 and 2013), and dailies and magazines (Press-di). In addition to the Trade area, as of 2013 the data regarding the shipment of books from the Verona warehouse also include the management of returns from franchised bookshops, part of Mondadori Education's shipments and, since 2014, also Mondolibri.

PEFC AND FSC

The Programme for Endorsement of Forest Certification (PEFC) is a system that certifies the sustainable management of forests. The PEFC is an international initiative based on a broad understanding between all the parties involved in favour of the implementation of sustainable forest management at the national and regional levels. The representatives of the owners of woods and poplar plantations, final consumers, users, professionals, as well as the representatives of the lumber and woodworking industry contribute to the development of PEFC. Its objective is to improve the image of forestry and the forest-wood supply chain, providing a tool that permits the marketing of wood and products deriving from forests and plantations managed in a sustainable way. In Italy, PEFC Italia is the Italian non-profit association that represents the national governance body of the PEFC certification system. The PEFC system allows the verification of:

- the sustainability of the forestry management;
- the traceability of sold and processed wood and paper products that are derived from PEFC certified woods.

The Forest Stewardship Council (FSC) is an international non-profit NGO.

FSC represents a globally recognized forest certification system.

The purpose of the certification is the correct management of forests and the traceability of the derived products. The FSC logo is a guarantee that the product was manufactured with raw materials deriving from properly managed woods according to the principles of two main standards: forest management and the chain of custody. FSC is an independent and third party certification scheme.

Inspections are performed by 17 certification bodies worldwide. The bodies are in turn accredited by ASI (Accreditation Service International). One of FSC main activities is the drafting of locally adjusted standards in accordance with the national initiatives.

CONSUMPTION OF OTHER MATERIALS (in tonnellate)

Raw material	Detail	2012		2013		2014	
		Trade books and Mondolibri	Press-di	Verona logistics centre and Mondolibri	Press-di	Verona logistics centre	Press-di
Wood	Pallets	294	633	331	536	326	530
Cardboard	Boxes and packaging materials ¹	254	-	742	-	839	-
Polyethylene	Film	45	672	68	471	66	427
	Package filling ²	11	-	13	-	21	-
	Pallet covers ²	3	NA	4	NA	4	NA
Polypropylene	Tape	2	NA	3	NA	1	NA
	Strapping ²	3	NA	7	NA	3	NA

¹ Figure relates to cardboard boxes used by Mondolibri in 2012

² The figures relating to package filling materials, pallet covers and strapping only refer to Trade Books; the figures for Mondolibri are not available

MAGAZINES

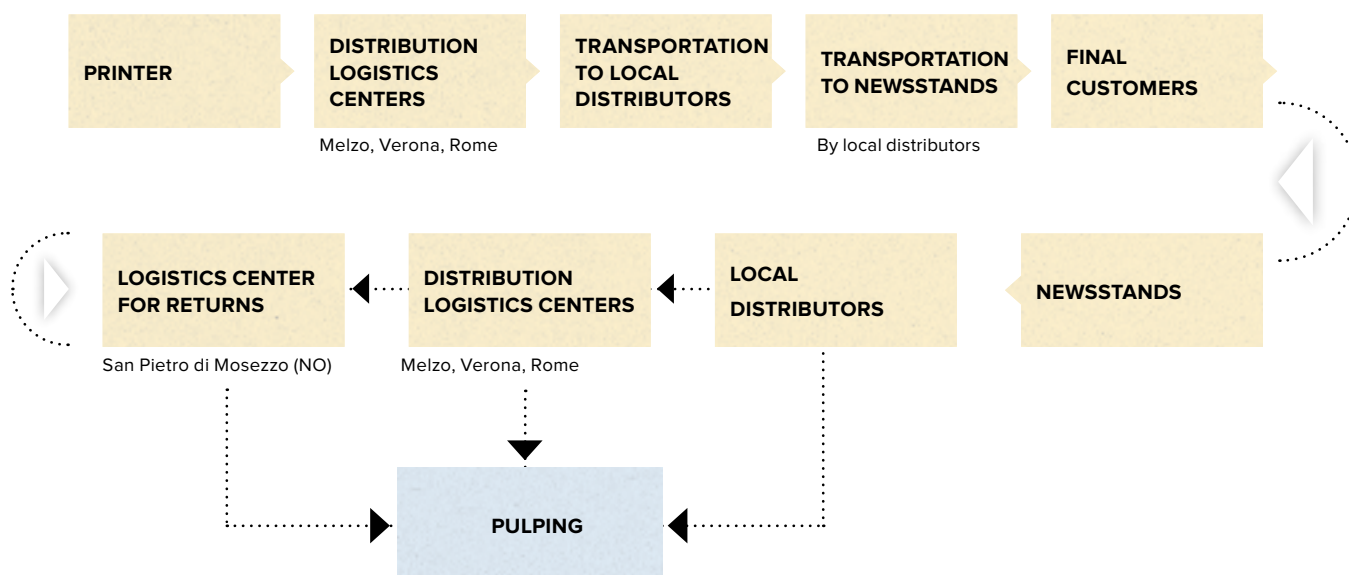
The logistics of the Magazines channel are managed by Press-di Distribuzione Stampa e Multimedia S.r.l., a fully-owned subsidiary of Mondadori, which manages the distribution of Group magazines and third-party publisher magazines and dailies in Italy. All Press-di operating processes, including transport management, are outsourced to a network of expert suppliers.

Considering the two retail channels, represented by newsstands (83%) and subscriptions (17%), in 2014 the overall weight transported exceeded 76,000 tonnes, entirely on the road (and by sea with roll-on/roll-off ships for transportation to the islands).

The magazines logistics process involves four steps:

- film wrapping and shipment preparation: in 2014 this process was applied to approximately 94 million copies, for which around 375 tonnes of film was used. The figures show a downtrend against the previous year as a result of the constant reduction in business volumes;
- primary transport: the primary transport network begins at distribution logistics centres (Melzo, Verona and Rome) and extends to local distributors (approx. 100 private enterprises in 2014);
- last mile (delivery to the point of sale): local distributors deliver copies to newsstands and carry out the “last mile” transport service to the point of sale. Local distributors are responsible for collecting unsold products at newsstands every day and processing returned products for return delivery from the Press-di national returns centre or local pulping/disposal;

NEWSPAPERS AND MAGAZINES LOGISTICS



- transportation of returned products: unsold products subject to return to the publisher are transported to the national returns centre of San Pietro Mosezzo (Novara) through the Press-di primary transport network.

The daily newspapers produced by third-party publishers (including *il Giornale*, *Libero*, *Avvenire*) are distributed by a different logistics network to the one used for magazines. This network includes a number of printing centres located throughout Italy, delivering to local distributors. This network, designed to ensure fast delivery times, is shared with other distributors to guarantee greater efficiency.

PULPING

Mondadori has an extremely high pulping rate: Press-di (in agreement with the Group and third-party publishers) has, in fact, decided to foster the largest possible distribution of certified return processes at local distributors in order to reach the critical mass necessary to achieve the considerable savings made possible by this management method.

In 2014 local pulping came to 20,930 tonnes for magazines and 9,897 tonnes for dailies. The local pulping of magazines has increased sharply despite the decrease in distribution quantities.

Currently, out of the 100 local distributors used by Press-di, 90 guarantee certified returns. The steady increase in the number of certified returns translates into a progressive reduction in transport volumes to the national returns centre, with consequent reductions in both consumption and costs.

It should be noted that since 2010 Mondadori has been carrying out surveys in different fields with a view to optimising the environmental performance of its magazines and the relevant economic costs through format standardisation, reduced paper weight and reduced page counts.

The lower operating costs (deriving from the progressive reduction in transported weights) correspond with a proportional reduction in emissions due to transportation. This result can be added to the effect of certified returns (local pulping).

CERTIFIED RETURN

The mechanism of certified return of publications is a process that allows local distributors to manage returns by certifying the quantity and the corresponding pulping of the copies. The operating processes involved in this activity are: receiving of returns, counting of copies received, IT input of number received, accounting of number received and product destruction.

The certified return process therefore involves:

- the consolidation of the returns subject to pulping (unsold copies) by title /file/copy, directly at the local distributor's premises, thus avoiding the physical transport of the material to the warehouse;
- reduction in the cost of transporting returns to the warehouse.

TRADE BOOKS

The Verona logistics centre is responsible for trade book logistics. The Mondadori Proprietary Central Warehouse (MCE) is responsible for the management of the new product and re-print shipping and restocking warehouse. Outsourcing agreements are in place with a number of satellite warehouses located not far from the MCE for the performance of activities relating to new book launches, return counting and selection, and storage.

With a view to improving the level of control Mondadori exerts over such operations, in the next few years the foundations will be laid for a better understanding of the environmental impact of supplier activities in order to ensure that the operating decisions of the latter are geared towards improving the sustainability of their activities.

In this context, the return process (see the corresponding table for data relating to shipping volumes, pallets and copies handled) is worthy of attention: returns are registered, classified based on quality, recorded and stored. The owner of such stock, i.e. the publisher, pays for the storage and decides when to pulp the product. This is not the case for Edizioni Mondadori and Sperling & Kupfer, i.e. the publishers with the highest levels of returns, where returns are recorded and pulped on a monthly basis.

Type	2012	2013	2014
Copies	13,380,000	12,530,000	12,510,000
Packages	431,000	410,000	405,000
Shipments	46,000	43,500	43,000

All the boxes used to distribute trade books are made of corrugated cardboard consisting of 90% recycled paper; this packaging is 100% recyclable and the recycled material comes from national pulp companies.

MONDADORI EDUCATION

In 2014 Mondadori Education produced around 7 million textbooks and teachers' guides, stored in two warehouses: one in Verona for secondary school books, and the other in Signa in Florence (where handling is managed internally) for primary school books, dictionaries, university texts and Italian L2 (Italian as a second language) books. The Florence Signa warehouse was closed at the end of 2014 and, as a consequence, an improvement in the indicators is expected for 2015 due to the concentration and streamlining of distribution activities at the Verona logistics centre.

As of January 2013 the Mondadori Group concentrated the logistical management of secondary school books at the Verona logistics centre, completing a process to streamline both the spaces and transportation (reduction in the number of vehicles used through the aggregation of shipments with those of the trade channel).

The logistical management of Mondadori Education products is connected with specific school education activities (promotion, adoption and sale of books):

- through a network of promoters, school texts are presented to teachers from January to May in order to promote their adoption; Logistics is in charge of shipping the books from the two central warehouses to the promoters, just under 140 destinations; finally, the promoters are in charge of delivering or shipping the sample books to teachers. To this end, it is important to highlight the introduction of digital sample books (connected with the development of multi-device digital school books, see p. 34), which may lead to a significant reduction in the production and shipment of paper sample books;

- starting in May and, with varying intensity, up until the end of October, Mondadori Education restocks the retail distribution points for the sales campaign, reaching approximately 60 destinations. Moreover, starting in September, when the school year starts, the promoters are supplied with books and guides to deliver to teachers for classroom trials;
- in addition to making shipments to decentralised distribution centres, the central warehouse in Verona directly supplies some top accounts, while the Florence warehouse supplied approximately 800 bookshops with university texts and Italian L2 books.

Though returns are less frequent for school texts, total returns in this segment came to approximately 700,000 copies in 2014.

BOOK CLUBS (MONDOLIBRI PRODUCTS)

With the closure of the Brescia logistics unit, as of 2014 the management of logistics flows (storage and preparation of orders) and all Club business support processes take place at the Verona logistics centre. Orders are shipped by mail.

The cardboard boxes used for shipments are the same type as used for Trade books. Materials returned by post are subject to recycling.

E-COMMERCE (www.mondadoristore.it)

B2C logistics activities include product management (by both Mondadori and third-party publishers) at the Verona central logistics centre. Products are prepared according to customer orders and shipments are made by express courier directly to the final customer address.

In this channel there are practically no returns.

OTHER MATERIALS

Mondadori began surveying its consumption of office materials in 2012. The table below shows the data relating to the consumption of printer cartridges (materials with a significant environmental impact) and the consumption of paper for these printouts, which has been monitored since 2011. In 2013 and 2014, the consumption of paper and cartridges was measured at all consolidated companies in Italy, while in previous years the coverage of the reporting scope was only partial. On a like-for-like basis, there was a fall in paper and print cartridge consumption in 2014 compared with 2013.

PRINT CARTRIDGE AND PAPER CONSUMPTION FOR PRINTOUTS (tonnes)

Tonnes		2012	2013	2014
Raw material	Detail	Segrate headquarters	Italy	Italy
Paper	Paper for printouts	6	113	97
Print cartridges ¹	Print cartridges for printouts	1.5	6	4

¹ 2012 data also includes the Cernusco sul Naviglio and Rome sites



CLIMATE CHANGE

Human activities have a strong impact on the planet's climate. Phenomena like global warming due to the greenhouse effect, increasing temperatures and the growing frequency of extreme climatic phenomena are closely interrelated, as is broadly acknowledged by the world scientific community. In particular, the progressive overheating of the Earth's atmosphere and the oceans, which has been building up since the end of the 19th century, is due to a climate change that has had effects on a global scale. This is known as Global Climate Change.

Mondadori has estimated its greenhouse gas emissions since the publication of the 2010 Sustainability Report and has been reporting a complete survey of its greenhouse gas emissions since 2013 (2012 data), following the principles of the ISO 14064:2006 international standard.

The updating of the materiality analysis conducted in 2014 (see paragraph *Material issues for Mondadori*, p. 28) and the participation in the Carbon Disclosure Project (CDP) Climate Change programme for the fourth consecutive year confirm how Mondadori and its stakeholders focus a great deal of attention on climate change issues.

With regard to the level of disclosure on issues related to climate change, in 2014 Mondadori obtained a score of 85/100, consolidating its performance of previous years (84/100 in 2012 and 86/100 in 2013) and placing itself above the national average of 71/100. The high score obtained underlines the attention that Mondadori pays to the risks and opportunities for its business linked to climate change, as well the adequacy of the internal systems for the management and reporting of data relative to greenhouse gas emissions.

For Mondadori, participation in the CDP questionnaire represents an opportunity to:

- transparently inform its stakeholders of its greenhouse gas emissions and the measures in place to reduce them and to manage climate change-related issues within the company;
- identify and explore the risks and opportunities relating to climate change, particularly in relation to potential changes in national and international legislation, changes in physical climate parameters and reputational risks and opportunities;
- identify the areas where it is possible to improve energy efficiency, while at the same time reducing greenhouse gas emissions and the operating costs associated with purchasing energy.

THE GREENHOUSE EFFECT

Greenhouse gases are considered responsible for the increased greenhouse effect and the consequent global warming (broadly referred to as "climate change"). The main greenhouse gas is carbon dioxide (CO₂), responsible for approximately 80% of global warming. The other key gases are methane (CH₄), nitrous oxide (N₂O), halogenated compounds (PFC), hydrofluorocarbons (HFC) and sulfur hexafluoride (SF₆). The climate changing gases are released into the atmosphere mainly as a consequence of combustion processes and, specifically, through the use of fossil fuels. The climate changing emissions are conventionally measured in tons of CO₂ equivalent: the quantities of the other gases are converted according to this unit of measurement by applying specifically developed conversion algorithms.

In the CDP questionnaire, Mondadori not only reported its own direct and indirect energy emissions (scope 1 and 2), but also the other two categories of indirect emissions (scope 3) relevant to the company's business: emissions resulting from employee travel for business reasons and from the production of the paper required for the printing done by Mondadori suppliers (for more details relating to the categories of emissions reported, see the next section).

In the next few months, Mondadori will take part in the new edition of the CDP Climate Change 2015 questionnaire. Mondadori's aim for the next editions of the CDP questionnaire is twofold: to confirm the excellent results achieved in terms of disclosure in past years, and to continue to improve its performance score, which since 2013 has seen the company placed in band C (on a scale that goes from A to E). The performance score assigned by the CDP takes into account the measures actually implemented by companies to help mitigate and adapt to climate change, as well as to ensure greater transparency towards stakeholders as regards these issues.

The greenhouse gas emissions considered within the reporting scope of the GHG survey and communicated as part of the CDP 2014 questionnaire are as follows:

- direct (scope 1): heating of offices and warehouses with natural gas and diesel oil (emissions factors taken from the table of national standard parameters published by the Italian Ministry of the Environment);
- indirect energy (scope 2): electricity purchased from the national grid (emissions factor taken from Terna international comparisons on Enerdata figures – 2012 data);
- other indirect emissions (scope 3): employee travel for business reasons by plane (emissions factor taken from GHG Protocol Initiative “CO₂ emissions from business travel” version 2.0), train (emissions factor taken from the 2013 Sustainability Report of Ferrovie dello Stato Italiane), company cars (specific emissions factors per individual car model) and hire cars (emissions factor deriving from emission classes according to the eco-label developed by ADEME - Agence de l'Environnement et de la Maîtrise de l'Energie); paper production (emissions factor taken from the Confederation of European Paper Industries [CEPI] “Key Statistics 2013” document).

THE CDP - FROM THE OFFICIAL CDPROJECT.NET WEBSITE

The Carbon Disclosure Project (CDP) is an independent non-profit group formed for the purpose of promoting and incentivizing business transformation worldwide in order to fight climate change and protect natural resources. Thanks to its influence in the market through the involvement of shareholders, customers and governments, the CDP has persuaded thousands of companies and municipalities to measure and communicate their greenhouse gas emissions, the relevant risk associated with climate change and their water management plans. The key elements underlying this strategy are the increased awareness of companies vis-à-vis the measurement and disclosure of their emissions and transparency. In this sense, the CDP collects information on climate-related risks and opportunities from the world's largest companies, communicates it to its 767 investors and disseminates it through the global market in order to funnel investments towards a low carbon economy.

Other significant scope 3 emissions were identified in the processes relating to the logistics of raw materials (paper) and finished products; because of the difficulties in collecting reliable data relating

to these flows, these emissions are not currently recorded and may be explored more thoroughly in the next few years.

Greenhouse gas emissions (tonnes CO ₂)	2012 ¹	2013 ¹	2014
Direct (scope 1)	2,064	1,930	1,193
Indirect energy (scope 2)	14,823	12,423	11,285
Other indirect emissions (scope 3)	43,373	37,547	35,495
- Emissions related to paper production	41,445	36,020	33,930
- Emissions related to business trips ²	1,928	1,527	1,565
Total emissions	60,259	51,899	47,973

¹ The 2012 and 2013 indirect energy emission (scope 2) and scope 3 indirect emission values were re-calculated with respect to the 2013 Sustainability Report, following the updating of the emissions factors available for calculation [G4-22].

² The 2012 and 2013 data differ from the data published in the previous Report as a result of the inclusion of data that became available after the Report was published. The 2014 air travel emissions were estimated using a different methodology to the one used in previous years because of the different type of primary data available. However, the variations in the applied methodology guarantee the comparability of the emissions data in the 3-year period [G4-22].

The majority of the buildings and stores considered in the scope of the Sustainability Report are heated through the use of natural gas and diesel oil. A few buildings represent an exception because they are heated by electrically fed heat pumps. Most of the natural gas consumption figures were accurately measured; when this was not possible, estimates based on conservative assumptions were used (see Attachment for further details).

The downwards trend as regards direct emissions can be attributed to the reduction in natural gas and diesel oil consumption, which in turn is connected with two main factors:

- the re-organisation of the company sites, which began in 2012 and has included some closures;
- the installation of new heating systems with more efficient performances.

The electricity that Mondadori consumes in Italy (see Attachment for further details), entirely drawn from the national grid, is used for:

- lighting, air conditioning and equipment (e.g. PCs, printers) in the offices and stores;
- lighting and equipment in the warehouses;
- recharging electrical vehicles (Segrate) and fork-lift trucks (warehouses);
- radio signal antennas.

As regards emissions related to the consumption of electricity (indirect energy emissions), the reduction observed in 2014 compared with 2013 can mainly be attributed to the company site reorganisation process that began in 2012 and the energy saving measures carried out during the year in some stores.

The downtrend in other indirect emissions (scope 3) is mainly the result of the reduction in paper consumption for printing (from 96,383 tonnes in 2012 to 78,906 tonnes in 2014). Emissions deriving from employee business trips were slightly up, mainly as a result of the greater use of air travel. However, this impact is offset by initiatives for the reduction in the use of company cars and the use of models with low CO₂ emissions (see paragraph *Initiatives to reduce environmental impact*).

GREENHOUSE GAS EMISSIONS IN 2014

(tonnes of CO₂ equivalent)

Direct emissions	1,193
Other indirect emissions	35,495
Indirect energy emissions	11,285

Mondadori's overall emissions in 2014, equal to approximately 47,970 tonnes of CO₂ equivalent, correspond to the emissions generated by about 35,500 medium-sized vehicles that have each driven 10,000 km.

The emission measurement process implemented in recent years has enabled the company to establish the calculation criteria and was used as a baseline for raising awareness within Mondadori about possible internal policies for the reduction of the greenhouse gases generated by its activities. The reduction of climate changing emissions is one of the cornerstones of the Group's environmental policy published in 2012, and Mondadori has shown its commitment to this issue by participating in the CDP, among other things.

In this regard the Group has already launched a number of projects to mitigate its emissions, both in 2014 and in the past, such as, for instance, the implementation of energy efficiency measures in buildings and the updating of the car fleet with lower emission models (see paragraph *Initiatives to reduce environmental impact*).



INITIATIVES TO REDUCE ENVIRONMENTAL IMPACT

ACTIONS ON THE AIR VENTILATION AND LED LIGHTING SYSTEMS IN 2014

As in 2013, plenty of attention was focused on the theme of energy savings in 2014.

The actions described below are in part the completion of those begun in 2013, whose benefits became most tangible as of the second half of 2014.

- Segrate site: in July 2014 the process of replacing the old disused R22 ventilation systems with two new geothermal multi-functional systems, able control heating and air cooling also simultaneously with significant energy and management savings, was completed. The real benefits will be seen in the summer of 2015 when it will be possible to avoid using the thermal power station (which currently also functions during the summer).
- Annual energy savings are expected to amount to approximately 110,000 m³ of gas and 40,000 kWh of electricity.
- Segrate site: continuation of the installation of inverters on the main ventilators in the building and on secondary fluid distribution pumps, integrated with the supervision systems to optimise output. Expected savings amount to approximately 150,000 kWh of electricity on an annual basis.
- Segrate site: the upgrading of the control and management system software is currently in progress and aims to reduce the huge amounts of external air treated when employees are not present in the office and to accelerate full operation in the rooms. These changes will enable the company to simultaneously manage heating requirements, external conditions and the number of employees present in the building. Expected savings amount to approximately 40,000 m³ of gas and 20,000 kWh of electricity annually.

- Verona site: the installation of two new high-efficiency air ventilation units concluded (with the consequent elimination of all supplementary systems) with evident savings in terms of consumption. This measure enabled the company to eliminate all of its external units, many of which fuelled by R22 gas. Meanwhile, a centralised management system, with the possibility of remote control, is being developed. Expected savings amount to approximately 60,000 kWh of electricity on an annual basis.

In addition to the above, a series of energy efficiency projects involving some stores were also carried out in 2014. These involved the replacement of lighting systems and the installation of LED systems for internal lighting.

ENERGY SAVING ACTIVITIES PLANNED FOR 2015

The activities planned for 2015 are:

- Segrate site: conclusion of the process to replace the switchboards in the Foglia building in order to comply with regulations, and the consequent improvement of the system to switch the lights on and off.
- Segrate site: optimisation of the full functioning of the induction air ventilation systems and the optimisation of the control and management system software to reduce the huge amounts of external air treated when employees are not present in the office and to accelerate full operation in the rooms.
- Replacement of the boilers in the thermal power station with new high yield boilers and recovery of fume heat.
- Segrate site: replacement of the current lighting system with an LED system

- Verona site: installation of two new high-efficiency air ventilation units and completion of the process to enable the centralised management system to be remote controlled.

COMPANY CAR FLEET

Since 2008 Mondadori has gradually been replacing its car fleet with cars on long-term leases.

Business trips taken by Mondadori employees are mainly for the following purposes:

- meetings with customers;
- travel for editorial features;
- meetings with suppliers;
- meetings at other company offices;
- participation in events.

MONDADORI FLEET

Type	2012	2013	2014
Owned vehicles	28	20	15
Leased vehicles	197	167	148
Total	225	187	163

In the past few years, the number of vehicles in the company car fleet has steadily fallen from 225 cars in 2012 to 163 in 2014. In particular, the number of company-owned vehicles continues to fall, going from 28 units in 2012 to 15 units in 2014.

The renewal of the car fleet and the choice of a supplier sensitive to sustainability issues has enabled the company to achieve excellent results in terms of environmental performance.

With reference to the classification of vehicles by “emission classes” according to the eco-label developed by ADEME (Agence de l'Environnement et de la Maîtrise de l'Energie, the French technical agency specialised in the research and dissemination of information regarding energy, environmental protection and sustainable development), the reduction in the fleet size is reflected in all classes of vehicles except for the number of class A vehicles, which has remained steady over the years.

Type	2012	2013	2014
Class A - Lower than or Equal to 100 GCO ₂ /Km	10	10	10
Class B - From 101 to 120 GCO ₂ /Km	59	40	40
Class C - From 121 to 140 GCO ₂ /Km	68	58	46
Class D - From 141 to 160 GCO ₂ /Km	51	47	41
Class E - From 161 to 200X GCO ₂ /Km	30	26	20
Class F - From 201 to 250 GCO ₂ /Km	5	5	5
Class G - Higher than 250 GCO ₂ /Km	2	1	1
Total	225	187	163

The renewal of the car fleet brought about an improvement in the average class of emissions of the entire fleet, which was once again at level C in 2014 with 139 gCO₂/km.

AVERAGE CO₂ EMISSIONS BY KM

(grams of CO₂ equivalent)

2012	140	C
2013	140	C
2014	139	C

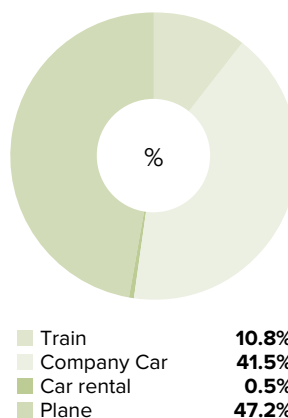
The improvement in the average emissions class of the Mondadori fleet is also the result of the updating of its car policy in 2014, in association with its vehicle supplier. This update was carried out with the aim of improving environmental performances through measures such as the reduction of the engine sizes of the cars available and the reduction in leasing times to a standard 48 months, where possible and compatible with user safety, which remains the primary concern of fleet management.

BREAKDOWN OF VEHICLES BY ENERGY CLASS (2014)



Class A,B,C	96
Class D	41
Class E,F,G	26
Total	163

EMISSIONS BY MEANS OF TRANSPORT



Confirming the trend recorded in the past three years, company cars and planes were mainly responsible for the CO₂ emissions from business trips (41.5% and 47.2% respectively) also in 2014.

COMPANY SHUTTLE

Mondadori operates a shuttle service, operated by an outsourced partner, for employees, members of staff, suppliers or guests of the company to and from the Segrate site. The ongoing roadworks for the BRE.BE.MI motorway have reduced the service in terms of number of lines and trips. In 2014, around 50,090 passengers used the service to go to the site, down compared with the 2013 figure (58,652).

PAPER AND SUSTAINABILITY

Since 2010 Mondadori has supported the initiative launched by Greenpeace for Italian paper industries to protect primary forests from destruction. In particular, Mondadori is committed to defining a

process to progressively increase the percentage of “friend of forests” paper over time.

In this respect, the 2012-2014 data testify to the Group’s commitment to progressively increasing the sustainability of all publishers belonging to the Group.

% CERTIFIED PAPER AS A % OF TOTAL PRINTING PAPER

	2012	2013	2014
Certified paper	17.9%	23.1%	74.3%

AWARENESS-RAISING INITIATIVES

As a member of the European Magazine Media Association (EMMA), a partner of Print Power Italy, in 2014 the Mondadori Group continued to contribute to the “Two Sides” project. Print Power Italy is an organisation coordinated by Assocarta, which gathers together all the representatives of the paper/printing supply chain in Italy and is part of the broader European Print Power Europe project.

“Two Sides” is a European communications campaign that aims to inform the general public about the environmental aspects of paper and printing, and to ensure that printed paper is considered as a sustainable means of communication. The entire paper supply chain contributes to it: paper manufacturers, paper distributors, printing companies, ink manufacturers and publishers.

In Italy, the “Two Sides – the green side of paper” initiative is centred on the renewability of wood and the recyclability of paper.

NOTE ON METHODOLOGY

The Mondadori Sustainability Report supplements the information regarding sustainability disclosed in the 2014 Annual Report, providing details on the Group's performance and the industry's key indicators. The document is drafted in accordance with the most up-to-date version (GRI-G4) of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, including the Media Sector Disclosures. The breadth and detail with which the issues in the Sustainability Report are covered are a reflection of the materiality analysis carried out according to the approach described in the paragraph *Material issues for Mondadori* (p. 28), in accordance with the GRI-G4 standard. [G4-18]

On the basis of the current coverage of the General Standard Disclosures and the Specific Standard Disclosures, associated with material aspects, the "in accordance" option to the GRI-G4 standard as declared by Mondadori is 'in accordance – core'.

MATERIAL ISSUES [G4-19] [G4-20] [G4-21]

To facilitate a comparison between the aspects defined by the GRI-G4 (Specific Standard Disclosures) and the material issues, the following table cross-references them, listing Mondadori's material aspects with their relative boundary and any eventual limitations relative to the absent extension of the reporting boundary to the external perimeter (G4-omissions).

GRI G4 material aspects	Aspect Boundary		Limitations of reporting on boundary	
	Internal	External	Internal	External
Economic performance	Group	-	-	-
Indirect economic impacts	Group	-	-	-
Procurement practices	Group	-	-	-
Materials	Group	paper and printing suppliers	-	reporting scope partially extended to suppliers
Emissions	Group	suppliers, distributors, franchisees	-	reporting scope not extended to distributors and franchisees
Supplier Environmental Assessment	Group	-	-	-
Employment	Group	-	-	-
Labour/management relations	Group	-	-	-
Training and education	Group	franchisees	-	reporting scope not extended to franchisees
Supplier assessment for labor practices	Group	-	-	-
Supplier human rights assessment	Group	-	-	-
Freedom of expression (M)	Group	-	-	-
Portrayal of human rights (M)	Group	-	-	-
Cultural rights (M)	Group	-	-	-
Intellectual property (M)	Group	-	-	-
Protection of privacy (M)	Group	-	-	-
Anti-corruption	Group	-	-	-
Public policy	Group	-	-	-
Supplier assessment for impact on society	Group	-	-	-
Product and service labeling	Group	-	-	-
Marketing communications	Group	Mediamond	-	-
Customer privacy	Group	-	-	-
Compliance - Product responsibility	Group	-	-	-
Content Creation (M)	Group	-	-	-
Content dissemination (M)	Group	-	-	-
Audience Interaction (M)	Group	-	-	-

As regards material aspects also outside of Mondadori but not currently reported, Mondadori is committed to implementing specific actions in the next few years to gradually extend its reporting scope. [G4-18] [G4-19] [G4-20] [G4-21]

SCOPE OF REPORTING AND SUSTAINABILITY

[G4-17] [G4-23]

This document is the fourth public edition of the Mondadori Sustainability Report and includes a description of the key initiatives undertaken in 2014 (solar year) as well as the performance trends of the 2012-2014 three-year period, where available. In addition, the initiatives and events of particular interest undertaken in 2015 and already known at the date of closing of this report were also added (see p. 8). The performance indicators were collected on an annual basis and the reporting frequency is annual.

The information included in this Report refers to Arnoldo Mondadori Editore S.p.A. and its consolidated subsidiaries on a line-by-line basis operating in Italy; activities carried out abroad are thus excluded. Arnoldo Mondadori Editore S.p.A.'s registered office is in Milan at 12 Via Bianca di Savoia; the company's head office is in Via Mondadori, Segrate (Milan).

The sustainability reporting scope is the same as explained above, except for some data explicitly indicated in the text.

Where environmental data are not available, conservative estimates were used, resulting in the underestimation of the company's environmental performance.

No significant changes in company ownership were registered in the scope and reporting period considered (Italy, 2014); in terms of size and structure, the following developments were of note:

- the transfer of business relative to the sale of advertising space in magazines and on radio stations from subsidiary Mondadori Pubblicità S.p.A. to the Mondadori Pubblicità S.p.A. and Publitalia

'80 S.p.A. joint venture, Mediamond S.p.A. (effective as of 1 January 2014);

- the transfer of the business branch relative to the management of IT service infrastructure to IBM Italia S.p.A. (effective as of 1 January 2014);
- the acquisition of 75.22% of digital marketing company Kiver S.r.l. (3 December 2014).

Finally, there was also the acquisition of the brand and assets of social reading platform aNobii (11 March 2014) and the creation of subsidiary Mondadori UK Ltd. (with head office in London and therefore outside the reporting scope) following the acquisition of e-commerce business London-boutiques.com (19 May 2014).

QUALITY ASSURANCE PRINCIPLES FOR THE SUSTAINABILITY REPORT

This document highlights Mondadori's strengths and weaknesses, as well as its prospects for improvement. Data was collected with the objective of giving a balanced and clear picture of the company's actions and characteristics. The information and quantitative data collection process is structured in such a way as to guarantee that data can be compared over several years, in order to enable an accurate interpretation of the information and a complete overview to all stakeholders affected by the evolution of Mondadori's performance.

The 2014 Sustainability Report was reviewed by an independent auditing firm, whose limited independent auditing report is available on pp. 123-124.

REPORTING PROCESS AND CALCULATION CRITERIA [G4-22]

The definition of the content of the 2014 Sustainability Report involved all the key company functions, who worked in close collaboration and under the coordination of the CSR contacts.

As in the three past editions, Mondadori was supported by Ernst & Young's Italian *Climate Change and Sustainability Services* team in the drafting of its 2014 Sustainability Report.

As for the calculation criteria:

- with regard to the method used to calculate the economic value generated (or value added) and the relevant allocation, the effects relative mainly to amortisation, depreciation and provisions/utilisations of the funds were not considered. Other figures are explained directly in the paragraph Group economic *performance*;
- the data on penalties refer to the cash outflow in the year and are not calculated on an accrual basis;
- in the breakdown of staff by level, “executives” include chief editors and deputy editors of magazines; members of the Board of Directors are not included;
- the accident rate is the ratio between the total number of accidents leading to an absence of more than one day and the total number of worked hours, multiplied by 200,000;
- the severity rate is the ratio between the total number of lost days and the total number of worked hours, multiplied by 200,000;
- the 200,000 multiplier, which appears in the rates/indexes (and specifically: accident rate and severity rate, see *Other Figures*, pp. 113-115), is the sum of 50 working weeks multiplied by 40 hours and by 100 employees;
- the absenteeism rate is the ratio between the days of absence in the reporting period (calculated net of the days of accident) and the total number of days worked by the workforce in the same period;
- the calculation of greenhouse gas emissions was made by applying the principles indicated in international standard ISO 14064-1. In particular, it should be noted that the only greenhouse gas considered was carbon dioxide (CO₂).

The figures relating to 2012 and 2013 may differ slightly from those published in previous reports due to the inclusion of data that became available after the reports were published. For the same reason, the data relative to 2014 represent the best possible estimate based on the data available at the time this Report was prepared.

Mondadori considers the Sustainability Report to be a key reporting instrument and, more importantly, a tool for generating a virtuous cycle within the company, a mechanism that has now become

part of the company’s DNA through the launch and implementation of various projects to manage and improve its economic, environmental and social performance. [G4-22]

For further information about this Sustainability Report, please contact:

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OTHER FIGURES

ENERGY CONSUMPTION

THE CONSUMPTION OF GAS AND DIESEL OIL

Type of energy	Unit of measurement	Consumption		
		2012	2013	2014 ¹
Natural gas	M ³	846,043	774,999	520,707
Diesel oil	L	150,000	150,000	65,000

ELECTRICITY CONSUMPTION

	Unit of measurement	2012	2013	2014 ¹
Total electricity purchased from national grid	MWH	36,873	30,903	28,072

¹ The 2014 figures contain estimates as the final consumption figures are not available

WATER CONSUMPTION¹

Detail	Unit of measurement	Consumption		
		2012	2013	2014
Consumption of water from public waterworks	M ³	123,779	130,996	121,239
Consumption of water from owned wells	M ³	2,134,891	2,239,331	2,230,000
Total	M³	2,258,670	2,370,327	2,351,239

¹ When it was not possible to calculate the exact value, due to the fact that the costs for consumption are included in the total maintenance costs for the building, a cautious consumption value was used, equal to 100 l/person/day, based on the number of employees operating in the different offices (this consumption was included in the table under "Consumption of water from public waterworks")

THE WASTE CYCLE

The figures below only relate to the Segrate site.

Type	Unit of measurement	2012	2013	2014
Non-hazardous waste	KG	339,592	291,059	176,299
Hazardous waste	KG	1,117	2,020	2,072
Total	KG	340,709	293,079	178,371

HEALTH AND SAFETY IN THE WORKPLACE

NUMBER OF ACCIDENTS

Type	2012	2013			2014		
		Women	Men	Total	Women	Men	Total
Work-related accidents	10	7	3	10	7	3	10
Commuting accidents	25	15	8	23	10	9	19
Total accidents	35	22	11	33	17	12	29
Accident rate	1.65			1.71			1.73

SEVERITY

Severity	2012	2013			2014		
		Women	Men	Total	Women	Men	Total
Total number of days lost	907	503	101	604	342	216	558
Severity rate	42.75			31.35			33.30

ABSENTEEISM

	2012	2013	2014
Lost days	20,855	20,285	17,657
Absentee rate	3.05%	3.28%	3.10%

EQUAL OPPORTUNITIES

FEMALE PRESENCE AMONG TOP MANAGEMENT OF PUBLICATIONS

	Women	Men	Total
Deputy chief editors	38%	62%	100%
Chief editors	67%	33%	100%

REMUNERATION WOMEN/MEN

	2014
Executives	67%
Middle managers	89%
Office workers	89%
Journalists	77%
Workers	91%

EMPLOYEES WITH DISABILITIES

	2013			2014		
	% women	% men	% of total	% women	% men	% of total
Executives	-	-	-	0%	0%	0%
Middle managers	33%	67%	1%	33%	67%	1%
Office workers	46%	54%	6%	46%	54%	6%
Journalists	-	-	-	100%	0%	1%
Workers	33%	67%	16%	35%	65%	18%
Total	44%	56%	5%	44%	56%	5%

Standard Disclosure	Standard Disclosure	Page Number (or Link)	Omissions	External Assurance
GENERAL STANDARD DISCLOSURES				
Strategy and analysis				
G4-1	Statement from the most senior decision-maker of the organization	pp. 6-7		✓
Organizational profile				
G4-3	Name of the organization	p. 110		✓
G4-4	Brands, products and services	pp. 12-14; 16-17; 19		✓
G4-5	Location of organization's headquarters	p. 110		✓
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability issues covered in the report	pp. 12-14; 26-27		✓
G4-7	Nature of ownership and legal form	pp. 37; 110		✓
G4-8	Markets served	pp. 12-14; 16-17; 19		✓
M G4-9	Scale of the reporting organization	pp. 12-14; 16-17; 37; 41-43; 65; 67		✓
M G4-10	Total workforce by employment type, employment contract, and region, broken down by gender	pp. 65-68	The information required by the Media Sector Disclosures is subject to specific confidentiality constraints. The Ministry is carrying on, also for other companies in the sector, an inspection on the correct implementation of the laws about atypical labor contracts (including freelance, temporary workers, etc.). The inspection is still in progress and Mondadori is completely collaborating with the Ministry.	✓
G4-11	Percentage of employees covered by collective bargaining agreements	p. 69		✓
G4-12	Organization's supply chain	pp. 26-27; 93-99		
G4-13	Significant changes during the reporting period regarding size, structure, ownership, or the supply chain	pp. 12-15; 110		✓
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	pp. 32-33; 35-36; 38-40; 110-111		
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	pp. 50; 56; 100-101		✓
G4-16	Participation in associations (such as industry associations) and/or national/international advocacy organizations	pp. 15; 50; 107		✓

Standard Disclosure	Standard Disclosure	Page Number (or Link)	Omissions	External Assurance
Identified material aspects and boundaries				
G4-17	Entities included in the organization's consolidated financial statements (or equivalent documents) and whether any entity is not covered by the report	pp. 42; 45; 110		✓ pp. 123-124
G4-18	Process for defining report content and Aspect Boundaries and the implementation of the Reporting Principles for Defining Report Content	pp. 21-22; 28-29; 109-110		✓ pp. 123-124
G4-19	Material Aspects identified in the process for defining report content	pp. 28-29; 109-110		✓ pp. 123-124
G4-20	Aspect Boundary within the organization for each material Aspect	pp. 109-110		✓ pp. 123-124
G4-21	Aspect Boundary outside the organization for each material Aspect	pp. 109-110		✓ pp. 123-124
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatement	pp. 102; 110-111		✓ pp. 123-124
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	p. 110		✓ pp. 123-124
Stakeholder engagement				
G4-24	List of stakeholder groups engaged by the organization	pp. 21-23		✓ pp. 123-124
G4-25	Basis for identification and selection of stakeholders with whom to engage	pp. 21-23		✓ pp. 123-124
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	pp. 22-23		✓ pp. 123-124
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	pp. 22-23		✓ pp. 123-124
Report profile				
G4-28	Reporting period for information provided	p. 110		✓
G4-29	Date of most recent previous report	p. 110		✓
G4-30	Reporting cycle	p. 110		✓
G4-31	Contact point for questions regarding the report or its contents	p. 111		✓
G4-32	"In accordance" option, GRI Content Index and External Assurance	pp. 109; 116-121		✓
G4-33	Policy and current practice with regard to seeking external assurance for the report	p. 110		✓

Standard Disclosure	Standard Disclosure	Page Number (or Link)	Omissions	External Assurance
Governance				
M G4-34	Governance structure of the organization	pp. 30-36		✓
Ethics and integrity				
M G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	pp. 26; 30; 49; Code of Ethics		✓

MATERIAL ISSUES

SPECIFIC STANDARD DISCLOSURES

CATEGORY: ECONOMIC

Aspect: economic performance

G4-DMA	Generic Disclosures on Management Approach	pp. 18-20; 37; 41-44		
G4-EC1	Direct economic value generated and distributed	pp. 41-43		✓
G4-EC3	Coverage of the organization's defined benefit plan obligations	Mondadori does not manage any separate corporate pension plan		
M G4-EC4	Financial assistance received from government	p. 37		✓
M M1	Significant funding and other support received from non-governmental sources	p. 37		✓

Aspect: indirect economic impacts

G4-DMA	Generic Disclosures on Management Approach	pp. 80-87		✓
G4-EC7	Development and impact of infrastructure investments and services supported	pp. 81-83		✓

Aspect: procurement practices

G4-DMA	Generic Disclosures on Management Approach	pp. 26-27		✓
EC9	Proportion of spending on local suppliers at significant locations of operation		The information required by the Specific Standard Disclosure is not available. Mondadori will provide this information in the next reporting periods.	

CATEGORY: ENVIRONMENTAL

Aspect: materials

G4-DMA	Generic Disclosures on Management Approach	pp. 90-99		✓
M G4-EN1	Materials used by weight or volume	pp. 93-99	The information required by the Media Sector Disclosures is not available. Mondadori will provide this information in the next reporting periods.	✓
G4-EN2	Percentage of materials used that are recycled input materials	p. 93		✓

Aspect: emissions

G4-DMA	Generic Disclosures on Management Approach	pp. 100-103; 104-107		✓
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	pp. 101-103		✓

Standard Disclosure	Standard Disclosure	Page Number (or Link)	Omissions	External Assurance
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	pp. 101-103		✓
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	pp. 101-103		✓
Aspect: supplier environmental assessment				
G4-DMA	Generic Disclosures on Management Approach	pp. 26-27; 93-94		✓
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	p. 26		

CATEGORY: SOCIAL

SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK

Aspect: employment

G4-DMA	Generic Disclosures on Management Approach	pp. 64-65; 68; 77		✓
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	p. 66		✓
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	pp. 68; 77		
G4-LA3	Return to work and retention rates after parental leave, by gender	p. 68		✓

Aspect: labor/management relations

G4-DMA	Generic Disclosures on Management Approach	p. 69		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	p. 69		

Aspect: training and education

G4-DMA	Generic Disclosures on Management Approach	pp. 70-71; 72; 73-76		✓
M G4-LA9	Average hours of training per year per employee by gender, and by employee category	pp. 73-76		✓
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	pp. 70-71		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	pp. 70-71		✓

Aspect: supplier assessment for labor practices

G4-DMA	Generic Disclosures on Management Approach	pp. 26-27		✓
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	p. 26		

SUB-CATEGORY: HUMAN RIGHTS

Aspect: supplier human rights assessment

G4-DMA	Generic Disclosures on Management Approach	pp. 26-27		✓
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	p. 26		

Standard Disclosure	Standard Disclosure	Page Number (or Link)	Omissions	External Assurance
M	Aspect: Freedom of Expression			
G4-DMA	Generic Disclosures on Management Approach	pp. 51-52		
M	Aspect: Portrayal of Human Rights			
G4-DMA	Generic Disclosures on Management Approach	pp. 51-52		
M	Aspect: Cultural Rights			
G4-DMA	Generic Disclosures on Management Approach	pp. 51-52		
M	Aspect: Intellectual Property			
G4-DMA	Generic Disclosures on Management Approach	pp. 38-40; 48-50; Code of Etichs, p. 51		
M	Aspect: Protection of Privacy			
G4-DMA	Generic Disclosures on Management Approach	pp. 52-54		
SUB-CATEGORY: SOCIETY				
Aspect: anti-corruption				
G4-DMA	Generic Disclosures on Management Approach	pp. 38-40		✓
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	pp. 38-40		✓
G4-SO4	Communication and training on anti-corruption policies and procedures	p. 40		
G4-SO5	Confirmed incidents of corruption and actions taken	p. 39		
Aspect: public policy				
G4-DMA	Generic Disclosures on Management Approach	p. 37		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	p. 37		✓
Aspect: supplier assessment for impacts on society				
G4-DMA	Generic Disclosures on Management Approach	pp. 26-27		✓
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	p. 26		
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
Aspect: product and service labeling				
G4-DMA	Generic Disclosures on Management Approach	pp. 26-27		
M	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	p. 27	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	p. 27		
Aspect: marketing communications				
G4-DMA	Generic Disclosures on Management Approach	pp. 48-50		
G4-PR6	Sale of banned or disputed products	p. 50		

Standard Disclosure	Standard Disclosure	Page Number (or Link)	Omissions	External Assurance
Aspect: customer privacy				
G4-DMA	Generic Disclosures on Management Approach	pp. 52-54		✓
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	p. 53		✓
Aspect: compliance				
G4-DMA	Generic Disclosures on Management Approach	p. 44		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	p. 44		✓
M	Aspect: content creation			
G4-DMA	Generic Disclosures on Management Approach	pp. 48-50; corporate governance report 2014, p.21		
M2	Methodology for assessing and monitoring adherence to content creation values	pp. 48-50		✓
M	Aspect: content dissemination			
G4-DMA	Generic Disclosures on Management Approach	pp. 54-56		
M4	Actions taken to improve performance in relation to content dissemination issues (accessibility and protection of vulnerable audiences and informed decision making) and results obtained	pp. 54-56		✓
M	Aspect: audience interaction			
G4-DMA	Generic Disclosures on Management Approach	pp. 22-24; 57-61		
M6	Methods to interact with audiences and results	pp. 22-24; 57-61		✓

M Media Sector Disclosures

✓ Indicators assured by independent auditors

STATEMENTS OF ASSURANCE

INDEPENDENT AUDITORS' REPORT ON THE SUSTAINABILITY REPORT

To the Board of Directors of
ARNOLDO MONDADORI EDITORE S.p.A.

We have performed a limited assurance engagement on the Sustainability Report of the Mondadori Group (the "Group") as of December 31, 2014.

Directors' responsibility on the Sustainability Report

The Directors are responsible for the preparation of the Sustainability Report in accordance with the "G4 Sustainability Reporting Guidelines" issued in 2013 by GRI – *Global Reporting Initiative*, as stated in the paragraph "Note on Methodology" of the Sustainability Report, and for such internal control as they determine is necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to frauds or unintentional behaviours or events. The Directors are also responsible for defining the Mondadori Group's objectives regarding the sustainability performance and the reporting of the achieved results, for the identification of the stakeholders and the significant aspects to report.

Auditors' responsibility

Our responsibility is to issue this report based on the procedures performed. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagement 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatement. These procedures included inquiries, primary with company personnel responsible for the preparation of the Sustainability Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

The procedures performed on the Sustainability Report consisted in verifying its compliance with the principles for defining report content and quality set out in the "G4 Sustainability Reporting Guidelines", and are summarized as follows:

- comparing the economic and financial data reported in the paragraph "Group economic performance" included in the Sustainability Report with those reported in the Group Consolidated Financial Statements as of December 31, 2014, on which we issued the auditors' report (pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27th January 2010), dated March 31, 2015;
- analysing, through interviews, the governance system and the management process of the issues related to sustainable development regarding the strategy and operations of the Group;
- analysing the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

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Member of Deloitte Touche Tohmatsu Limited

- analysing how the processes underlying the generation, collection and management of quantitative data of the Sustainability Report operate. In particular, we have performed:
 - interviews and discussions with the management of Arnoldo Mondadori Editore S.p.A. to gather information about the accounting and reporting systems used in preparing the Sustainability Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Sustainability Report;
 - analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Sustainability Report;
- analysing the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the guidelines identified in the paragraph “Directors’ responsibility on the Sustainability Report” of this report;
- analysing the stakeholders engagement process, in terms of methods applied, through the analysis of the minutes of the meetings or any other available documentation about the main topics arisen in the discussion with them;
- obtaining the representation letter signed by the legal representative of Arnoldo Mondadori Editore S.p.A., on the compliance of the Sustainability Report with the guidelines identified in the paragraph “Directors’ responsibility on the Sustainability Report”, as well as the reliability and completeness of the data and information disclosed.

Data and information subject to our limited assurance are reported, as required by the “G4 Sustainability Reporting Guidelines”, in the “GRI Content Index” of the Sustainability Report.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000, 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.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Mondadori Group as of December 31, 2014 is not prepared, in all material respects, in accordance with the “G4 Sustainability Reporting Guidelines” issued in 2013 by GRI – Global Reporting Initiative, as stated in the paragraph “Note on Methodology” of the Sustainability Report.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti
Partner

Milan, Italy
March 31, 2015

This report has been translated into the English language solely for the convenience of international readers.

CREDITS

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Acknowledgements are extended to all Mondadori employees who have contributed to the drafting of this Sustainability Report.

In collaboration with
Ernst & Young – Climate Change & Sustainability Services

Graphics & art direction



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Image on p. 30 by Mondadori Portfolio/Roland Halbe

