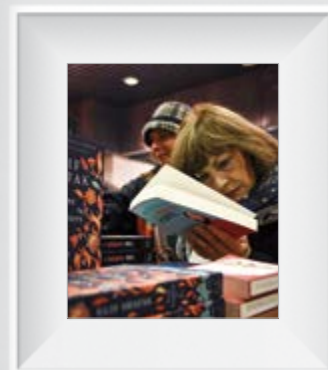
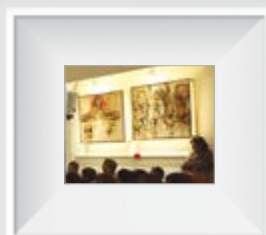
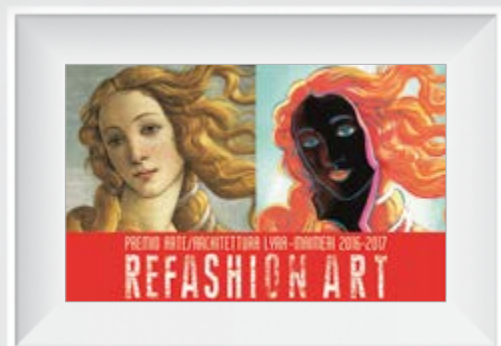
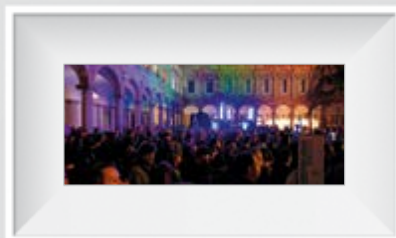
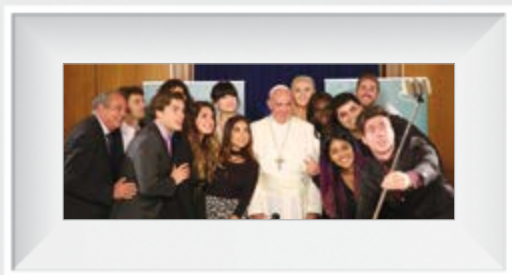




SUSTAINABILITY
REPORT
2016

**Sustainability
report
2016**



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Marina Berlusconi
Chairman
Mondadori Group



LETTER TO STAKEHOLDERS

In 2013 the Mondadori Group was going through the least positive period in its recent history as a result of the recession and the rapid digital transformation that had overwhelmed and changed the publishing sector. In order to deal with these dramatic changes, as well as restoring our stable economic and financial footing we also pledged to lay the foundations for a business model that would enable the company to embark on a new phase in its history with the focus on sustainable future growth.

And 2016 was confirmation of the excellence of the path we have undertaken. The results you will see on these pages are the fruit of the extraordinary work of a company made up of committed professionals and people brought together in the positive business setting which is that of Mondadori.

Lots of sacrifices have been made to get to where we are today. We have stopped using the downturn in the sector as a handy excuse. Embracing change and striving for efficiency have become our *modus operandi*, this thanks to the deep-rooted expertise within the company but also the new elements that have become part of the Group during the year: our new colleagues from Rizzoli Libri and Banzai Media.

Our partnership with Rizzoli Libri has seen two great lynchpins of Italian publishing join forces to enhance and promote their respective identities and differences: this acquisition has enabled us to strengthen our presence in all sectors of the book market and to exploit new potential.

The arrival of the brands and know-how of Banzai Media is a move that focuses on the future of our magazines with the aim of successfully integrating digital technology with our tradition of excellence in the creation of content.

Having overcome our economic problems and redefined the scope of our activities, Mondadori now envisages a future of growth in all areas, strengthened by its new-found dynamism and versatility.

We have therefore entered a new phase of our over 100-year history, an era in which the creation of economic value will continue to go hand-in-hand with our focus on all our stakeholders and their requirements, in which the development of new products and services will not compromise the quality of the content but, on the contrary, further enhance it; in this new chapter of our history we want to make sure that all of our stakeholders - in Italy, France and all the other countries in which we are present, now or in the future - feel engaged, represented and enriched thanks to the products we will be able to offer them on a daily basis.

Ernesto Mauri
CEO
Mondadori Group



OUR PATH OF SUSTAINABILITY

1907



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

1930

Thanks to the contract with Walt Disney in 1935, Mondadori stipulates Italy's first large international agreement in the publishing industry, which will last until 1988.

Launch of *Grazia* in 1938, the first large distribution women's weekly.



1960



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

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 (1963).

The Italian book market undergoes a true revolution with the launch of the Oscar series in 1965, the first budget price paperbacks sold also at newsstands.

Mondadori contributes to the aid operations following the flooding of Florence (1966), sending transport and aid to booksellers, the historic libraries in the city and prestigious institutions such as the Gabinetto Vieusseux.

1970

Inauguration of the new Mondadori headquarters at Segrate (1975), designed by one of the most renowned architects of the 20th century, Oscar Niemeyer.

Founding of Fondazione Arnoldo e Alberto Mondadori in 1977, 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 il Saggiatore). Since the mid-1990s, it has been a centre of research and study on Italy's publishing culture, part of a network of similar organisations in Europe and across the world.

2000

The Group drafts and publishes its first Code of Ethics (2002). In 2012 this document, completely redesigned and reformulated, is expanded to all subsidiaries.

Founding of Mediafriends in 2003, 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.

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 (2005), Italy's largest association within Confindustria, which seeks to promote corporate social responsibility towards the environment, the community, the market and the working world.

In 2007, Mondadori celebrates its 100th anniversary.



1940

Mondadori publishes the Biblioteca Moderna Mondadori (1948), the first series of quality books at budget prices designed to reach a large number of readers, mainly young people.



The decade opens with the magazine *Epoca*, with which Mondadori launches the American model of illustrated journalism in Italy.

The opening of the first "Mondadori per Voi" bookshop (1954) in Central 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.

1980

The Group is floated on the Italian Stock Exchange in Milan (1982).

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 (1989).



1990

With the launch of Miti (1995), 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.

9

2010

With the establishment of the Sustainability Committee, in September 2010 Mondadori embarks upon the path of CSR. The Committee, consisting of representatives from the main corporate functions, reports directly to the CEO and is tasked with formulating proposals relating to strategic and sustainability policies.

In December, the Committee approves the 2011 Sustainability Plan.

Mondadori joins the CSR Manager Network (2011), 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.

In 2012, the Board of Directors approves the new Code of Ethics and the 2011 Sustainability Report.

Since 2014 the Sustainability Report has been drafted in accordance with the GRI sustainability reporting guidelines, version GRI-G4, level of adherence "In accordance - Core option", aligning the production and publication times with those of the consolidated financial statements.



The acquisitions of Rizzoli Libri and Banzai Media mark the culmination of the strategy launched in 2013 of focusing on the traditional core businesses: books and magazines.

In December, the Mondadori Group enters the FTSE STAR segment of the Italian Stock Exchange.

#noidellamondadori

301 post



#noidellamondadori

Read more on p. 25

A BREAKTHROUGH YEAR

**Our business
model**

**Value distributed
to the community**

**Creating value
for stakeholders**

#NoiDellaMondadori

The process launched in 2013 to bring all Group activities back into the black by concentrating on the core businesses - books, complemented by retail, and magazines - and freeing up resources to invest in these areas, has been completed, and 2016 saw the achievement of new economic and financial targets, also thanks to the targeted acquisitions of Rizzoli Libri and Banzai Media, which helped to bolster book publishing activities - both trade and educational - and the brand portfolio in print and online, respectively.

Although the general environment within the reference markets remains on the decline, in 2016 the Mondadori Group achieved total revenue of euro 1,262.9 million (growth of 12.4% compared to 2015) and a net profit of euro 22.5 million (euro +16.1 million compared to the previous year). These investments enabled it to maintain and strengthen its leadership position within the trade books and magazine markets in Italy, while also becoming the top publisher in the education segment and being confirmed as one of the top players in magazines in France.

The books business area finds its natural complement in the retail segment, which manages the most extensive network of bookshops in Italy (roughly 600 stores in different formats depending on the size of the space and the management, whether direct or under franchising agreements).

In preparation for the new non-financial reporting obligations in force beginning next year, the Mondadori Group's 2016 Sustainability Report also includes the available data of the foreign subsidiary Mondadori France, with the intent of providing all stakeholders with the best overview possible of our approach to corporate social responsibility, the results achieved and our future goals.

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The international development of Group magazines (31 international editions published in 26 countries, through licensing agreements or joint ventures with other publishers, or published directly) has now been enhanced by an international presence in the illustrated books segment, thanks to Rizzoli International Publications.

RELEVANT EVENTS OCCURRING IN THE PERIOD

- **Acquisition of Rizzoli Libri:** following the agreement of 4 October 2015 between Arnoldo Mondadori Editore and RCS Mediagroup for the acquisition of 99.99% of the share capital of Rizzoli Libri (previously named RCS Libri), the Italian Antitrust Authority launched an investigation (22 January 2016) which was concluded on 23 March 2016. The Antitrust Authority authorised the acquisition in March 2016, setting certain requirements for Arnoldo Mondadori Editore, such as the disposal by Rizzoli Libri of the equity investment in Marsilio Editori and the Bompiani business unit to other completely independent operators active in the publishing market. The acquisition of Rizzoli Libri by Mondadori Libri, a wholly-owned subsidiary of Arnoldo Mondadori Editore, was completed on 14 April 2016. In July 2016, Rizzoli Libri transferred its equity investment in Marsilio Editori to GEM, while in December 2016 it sold the Bompiani business unit to Giunti Editore. Both disposals were completed under the supervision of a trustee as well as the Antitrust Authority.
- **Acquisition of Banzai Media:** the acquisition of Banzai Media Holding S.r.l. was completed on 8 June 2016. This operation enables the Mondadori Group to become the leading Italian digital publisher, to add over 16 million unique users thanks to the Banzai portfolios, comprising the websites PianetaDonna, Giallo Zafferano, Studenti.it and Mypersonaltrainer, and to conquer, also based on the readership of 22 million readers of its print brands, the number one spot in the women, food and health & wellness verticals. The IT expertise of Banzai Media, paired with the brands and publishing experience of Mondadori, guarantee an immediate shift towards digital evolution. The area in question was consolidated on 1 June 2016.

- **Admission of the Arnoldo Mondadori Editore S.p.A.** shares to the Italian Stock Exchange STAR segment. On 29 November 2016, the Mondadori Group successfully completed its process of admission to the STAR segment ("Segmento Titoli ad Alti Requisiti" or high requirement securities segment), after satisfying all parameters, governance characteristics and procedures pursuant to the Regulation of the markets organised and managed by the Italian Stock Exchange. Trading on the MTA market began on 7 December.

RELEVANT EVENTS AFTER CLOSURE

- **New head of the Group's Human Resources and Organisation Department:** on 9 January, Daniele Sacco was appointed head of the Mondadori Group's Human Resources and Organisation Department; he reports directly to the CEO.
- **Merger of Banzai Media S.r.l. into Arnoldo Mondadori Editore S.p.A.:** the merger plan approved by the Board of Directors on 29 September 2016 was completed on 15 January 2017, with accounting and tax effects as of 1 January 2017.

EDITORIAL INDEPENDENCE

The share capital of Mondadori at 31 December 2016, 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 3% of the share capital), the majority shareholder is holding company Fininvest S.p.A., owned by the Berlusconi family.

In 2016 the Group received - from Italian and French public administration, from Italian and foreign organisations and from private parties – euro 1,621,364 euro subdivided as follows: euro 312,931 from the owners of the Segrate site (Generali Immobiliare Italia Sgr S.p.A.) for the modernisation of the complex's systems; euro 204,715 of funding for training (euro 102,782 in Italy and euro 101,933 in France); euro 80,687 of funding for the publication of books or the hosting of exhibitions; euro 1,023,031 of tax credit according to the French CICE (Crédit d'impôt pour la compétitivité et l'emploi) regulations.

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.

SIGNIFICANT SHAREHOLDINGS*

Shareholder	Ordinary shares owned	% Shareholding on share capital
Fininvest S.p.A.	131,773,658	50.39%
Silchester International Investors LLP	30,033,556	11.49%

*At 31 December 2016. On 15 February 2017, Fininvest S.p.A. announced to Consob and the market that between 2 January and 15 February 2017, it had acquired 7,582,292 ordinary shares, bringing its investment to 139,355,950 shares held, equal to 53.3% of the share capital

OUR BUSINESS MODEL

At the end of a year that we can only define as extraordinary, in terms of performance as well as changes within the company, in 2016 the book was confirmed as the load-bearing pillar of the Mondadori Group. The historical **acquisition of Rizzoli Libri** made it possible to take advantage of a wealth of shared competence with no precedent: the Rizzoli, Bur and Fabbri Editori publishing houses join Mondadori, Sperling & Kupfer, Giulio Einaudi editore, Frassinelli and Piemme. The **independence of the individual publishers** was not impaired in any manner, as the added value contributed by each publisher consists precisely of preserving its own typical and historically recognised features which make it distinctive in the market. The trade segment thus reached a market share of 29.3%, strengthening the leadership already achieved in previous years. In educational publishing, the offering of **Mondadori Education**

is now augmented by the content developed by **Rizzoli Education**, with a total market share of 24% as the top publisher in the sector. Mondadori Libri has put into place a process efficiency research policy focusing on transversal support functions such as marketing or digital, without decreasing the importance placed on content quality. The current and potential synergies arising with the acquisition of Rizzoli provide a unique opportunity for professional and financial growth: consolidation in the local Italian market constitutes a necessary condition to expand to the international context, which is already covered through the activities of Rizzoli International Publications in the illustrated books market. Overall, in 2016 the books area recorded revenues of euro 475.1 million.

The **expansion of the retail network** by identifying local opportunities where the Mondadori brand is

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not yet present is vital for the growth of retail activities. In December 2016, the network was comprised of 577 stores (30 under direct management - of which 10 megastores and 20 bookshops - and 547 under franchising agreements - of which 326 bookshops and 221 Mondadori Points), in addition to the shop-in-shops (52), web channels and book club activities. With the acquisition of Rizzoli Libri, the historical Rizzoli bookshop at Galleria Vittorio Emanuele in Milan, the New York bookshop and the *Libreriarizzoli.it* e-commerce website are all now part of the network. Mondadori Retail revenues amounted to euro 199.6 million: books account for 77% of turnover, with a market share in the segment of 14%.

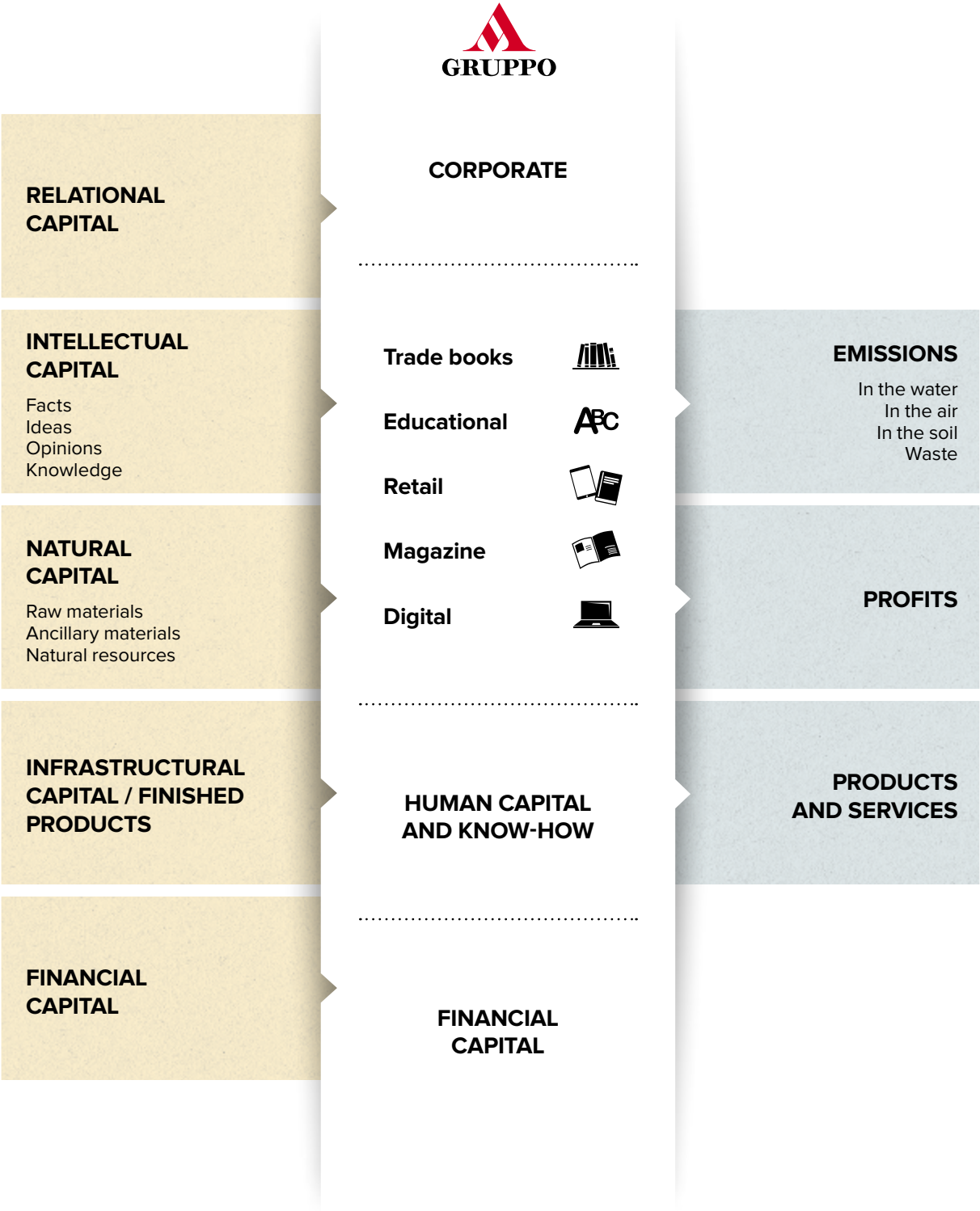
In 2016, the format adopted in owned bookshops was also extended to franchisees, in order to create a more consistent experience for the public and therefore lend a distinctive atmosphere to the Mondadori Store: customers who enter to purchase a book can also take advantage of a series of other services, such as food services, technical assistance for electronics or purchasing CDs and toys. The multichannel approach for customers, particularly with respect to the organisation of in-store events, has made it possible to expand the user base and increase loyalty-building capacity. The exemplary integration of the physical and digital channels earned Mondadori Store the SMAU "2016 Innovation Award".

In magazines, the Italian print market, like the French, continues on its downward spiral. Nonetheless, thanks to a circulation market share of 31.7% and a total audience of roughly 38 million contacts per month, the Magazines - Italy area has been confirmed as the **top Italian publisher in the traditional and digital sectors**, with revenues of euro 310.8 million. Decisive factors included the skills and audience contributed by Banzai Media, a leader in web content creation, which was add-

ed to the publications already present in the Mondadori portfolio with their own native web content. Its first-place position was thus consolidated in the women's vertical segment, with the restyling of *Donna Moderna*, after an extensive updating process and increasing the efficiency of editorial performance, in addition to the *Pianetadonna.it* website. In the food sector, *GialloZafferano* represents a real jewel: with its 5.8 million unique users every month, it is the most authoritative and viewed website in the country. Another brand acquired through Banzai Media is *Studenti.it*, a website dedicated to young people, which provides exhaustive and accurate information to support students throughout the learning process.

The French magazines, a branch of the company entirely managed by Mondadori France, have a **historic preference for the print format** with a high and relatively stable propensity for subscriptions: revenues from the circulation of the 30+ publications account for over 70% of its overall sales. The sale of advertising space by the brands in the portfolio, which accounts for a fifth of total revenues, is organised in an across-the-board manner to include both the print and digital versions of the magazines and the smartphone apps, produced for all publications. Completing the profile of French activities is a series of services that ranges from online marketplaces to the sale of cruise packages and from subscription campaigns for third parties to the offer of advertising space on the mobile and web platforms, with constant attention focused on the possibility of diversifying the business. All in all, the activities of Mondadori France generated revenues of euro 321.6 million.

BUSINESS MODEL



MANAGEMENT OF THE SUPPLY CHAIN

The Group Procurement Department, which forms part of the centralised 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 every one of the

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 and the pursuit of sustainability policies, as well as respect for human rights, workplace safety and the prohibition of child labour.

In 2015, Group Procurement began using spend analysis and electronic sourcing tools to favour the utmost transparency and traceability of the purchasing process.

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 press, Mondadori's biggest supplier is Elcograf, the printing company that meets the bulk of the Mondadori Group's printing requirements.

Established by the merger of the printing operations of Pozzoni and Mondadori Printing, since 2012 it 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 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.

With a view to increased responsibility to its customers, Mondadori handles not only the manufacture of its products through specially certified suppliers, but also the management of finished products.

According to an estimate in 2014, 80% of the value of the spin-off products (except for publishing products, music and films) made by Mondadori regard items 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.**

In addition, when required by regulations, suppliers are asked to specify the following information on their labels;

- 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 2016 no instances of non-compliance with regulations and voluntary codes relating to the labelling of the projects sold by Mondadori were reported.

CREATING VALUE FOR STAKEHOLDERS

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

- the equity of foreign subsidiary companies was excluded;
- maintenance of the dividend paid out by the parent company to the shareholders.

In 2016, the economic value distributed by Mondadori was euro 1,229 million, the economic value generated was euro 1,275.8 million, and the economic value retained was around euro 47 million.

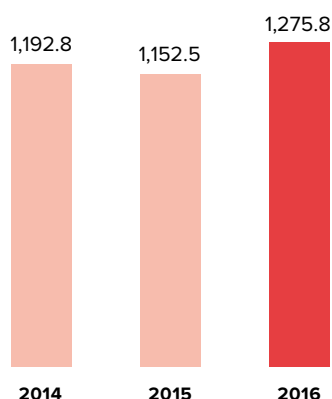
The economic value generated, as shown in the table below, is broken down as follows:

- **operating costs** totalled euro 947.8 million (+12% vs. 2015), of which 96% related to trade payables (euro 911.7 million, +11% vs. 2015);
- **employee salaries and wages** accounted for euro 236.5 million, up 6.6% against the previous year;
- **payments to financial institutions** totalled euro 18.4 million, down 2% compared to 2015;
- **non-controlling shareholder remuneration** was euro 4 million;
- **payments to public administration** came to roughly euro 20 million;
- **gifts, membership fees and sponsorships** totalled euro 2.5 million, substantially in line with the previous year.

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ECONOMIC VALUE GENERATED

euro million



DISTRIBUTION OF THE ECONOMIC VALUE GENERATED

(€/M)

Operating costs	947.8
Employee salaries and wages	236.5
Payments to financial institutions and shareholders	22.3
Payments to public administration	19.9
Gifts, membership fees and sponsorships	2.5
Economic value distributed by the Group	1,229.0

Between 2015 and 2016, the **economic value generated** by the Group increased by 10.7% from euro 1,152.5 million to euro 1,275.8 million, while

the **economic value distributed** rose from euro 1,110.3 million to euro 1,229.0 million (+10.6%).

Euro/000	Group consolidated ¹		
	2014	2015	2016
Economic value generated by the Group	1,192,817	1,152,478	1,275,798
Revenues	1,181,211	1,130,935	1,268,895
Other revenues	13,978	10,969	14,741
Financial revenues and interest accrued	1,229	2,366	829
Revenues/costs from disposal of tangible and intangible assets	12,941	21,271	3,218
Value adjustments of tangible and intangible assets	(692)	(3,080)	(1,362)
Losses on receivables	(15,174)	(7,941)	(8,962)
Currency differences	126	383	(186)
Profit/loss from equity investments	(802)	(2,425)	(1,375)
Economic value distributed by the Group	1,168,563	1,110,322	1,229,021
Trade payables	859,944	818,494	911,681
Costs for third party assets use	30,930	24,856	29,001
Employee salaries and wages	230,543	221,800	236,517
Payments to financial institutions	24,341	18,788	18,352
Payments to shareholders ²	3,212	3,380	3,994
Payments to public administration	9,341	16,450	19,852
Other operating costs	7,660	4,008	7,120
Gifts, membership fees and sponsorships	2,592	2,546	2,504
Economic value retained by the Group	24,254	42,156	46,777
Depreciation of properties, plants and machinery	10,563	7,770	7,366
Amortisation of intangible assets	13,483	13,149	23,329
Fund provisions	19,559	18,222	17,667
Fund utilisation	(31,796)	(15,772)	(25,264)
Deferred/pre-paid taxes	11,894	7,475	2,382
Write-down of monradio asset due to asset disposal	-	5,592	-
Reserves	551	5,720	21,297

¹ To provide a clear disclosure, several items were reclassified for previous years as well; in addition, in comparison with the consolidated financial statements at 31 December 2016, a reclassification by nature of the revenues and costs of the investments in Marsilio and Bompiani has been done [G4-22]

² With reference to non-controlling shareholders

PENALTIES

The total amount of penalties paid in 2016 fell compared with the previous year: as regards tax fines, the biggest amount (euro 75,000 euro) concerned

a voluntary settlement of VAT arrears; economic penalties consisted of amicable settlements with counterparties and rulings. In the 3-year period no tax fines or economic penalties were registered against Mondadori France.

MONETARY PENALTIES

euro/million

Type	2014	2015	2016
Tax fines	0.79	1.32	0.08
Economic penalties	0.94	0.65	0.97
Total	1.73	1.97	1.05

22

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 2016 there were 3 cases in Italy; the phenomenon is more relevant in France where the publication of rulings largely regards magazines about celebrities.

NON-MONETARY PENALTIES

Number of cases	2014	2015	2016
Non-monetary penalties Italy	3	2	3
Mondadori France: publications of rulings	18	18	12
Total	21	20	15

VALUE DISTRIBUTED TO THE COMMUNITY

Contributing to Italy's cultural and social development with its products and services is not enough: the Group's commitments in terms of social responsibility also take the form of a series of initiatives in support of the communities in which it operates, which may be classified within two main areas:

- culture, education and training;
- social support and healthcare.

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.

The Group's social innovation strategy calls for:

- **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;



- **participation in fundraising campaigns through Mediafriends:** a non-profit organisation founded in 2003 by Mondadori, Mediaset and Medusa, which devises, designs, realises and promotes events to finance targeted projects in a variety of sectors (see paragraph on p. 42);
- **raising awareness of social issues:** through its magazines and other business activities (books, digital, marketing services), Mondadori raises public awareness of a range of social issues such as work, violence against women, environmental protection and so on;
- **direct donation to charities:** every year, the Group makes generous charitable donations to various organisations and associations for projects involving social assistance and health-care, children, women and the differently-abled (see paragraph *Commitment to the community* on p. 40);
- **sponsorships:** *Focus* magazine is the partner of the Permanent Youth-Publishers Observatory

with the *FOCUScuola initiative: class journalists*, a competition that has reached its seventh edition, dedicated to upper secondary school students;

- **social marketing activities:** Inthera, 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, telemarketing);
- **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, CSR Network and ValoreD, Mondadori plays an active role in the individual social utility projects that they promote.



€/000	2014	2015	2016
Gifts	575.3	608.5	491.3
Membership fees	1,709.6	1,790.2	1,765.0
Sponsorships	307.7	147.9	248.3
Total	2,592.6	2,546.5	2,504.6

The amounts of gifts and membership fees for the three-year period also contain the amounts of Mondadori France. In the 2015 amounts, euro 99,600 was reclassified as sponsorships (from membership fees) [G4-22]



#NOIDELLAMONDADORI

With the acquisitions of Rizzoli Libri and Banzai Media, not only did new sources of revenue and new products and services enter the Mondadori Group, but also and especially new professionals and skills, new experiences and new stories.

To engage those who have been with us all along as well as our more recent additions within a shared story about us to present to the outside world, the #NoiDellaMondadori project was created: a narration not from the perspective of turnover or borrowing, nor in terms of market share or governance systems, but rather which underscores the component which defines us and tells our story most of all: people.

The project, carried out through the institutional Instagram profile, shows the faces of those who contribute to reaching company targets every single day: employees and collaborators, but also authors and guests of events organised at the headquarters. These shots, taken in multiple sessions over the course of the year and continuing at the start of 2017, were published every week on social media starting in June.

A visual story that was also enriched with new brands. The entry of a traditional brand like Rizzoli within an environment strongly characterised by the Mondadori logo made it necessary to pay particular attention in handling the visual identity of Rizzoli Libri.

Considering the historical nature and recognisability of the Rizzoli brand, the changes regarded not its formal elements, but rather the colours and descriptors of the main categories: Books and Education.

The primary colour was changed from dark blue to black, to come more into line with the Mondadori brand. The two major changes regarded the introduction of the line under the Rizzoli logo and the Optima font for the descriptor.

The line is an extension of the tail protruding from the R in Rizzoli and balances out the overall image. This line makes it possible to insert words of differing lengths (Books, Education or others) below it without creating an imbalance in the image or unjustified blank spaces.



see pictures on p. 10





Panorama d'Italia, a travelling live experience through Italian wonders.

Read more on p. 43

OUR COMMITMENT AS PUBLISHERS

**Promoting
sustainability**

**Our stakeholders
and their involvement**

**Material
issues**

**Commitment
to the community**

**The pride and beauty
of Italy, seen from
close up**

OFFERING QUALITY CONTENT TO AN EXTENSIVE RANGE OF DIFFERENT AUDIENCES, PROVIDING SPACE FOR ORIGINAL VOICES REPRESENTING VARIOUS REALITIES, WITH RESPECT FOR DIVERSITY AND THE NEEDS OF THE GENERAL PUBLIC: THE ROLE AND DUTIES OF A RESPONSIBLE MEDIA COMPANY ARE NOT VERY DIFFERENT FROM THOSE OF A TRADITIONAL PUBLISHER. HOWEVER, THEY ALSO NEED TO TAKE INTO CONSIDERATION NEW REQUIREMENTS SPRINGING FORTH FROM CHANGES IN CIVIL SOCIETY, FROM NEW TECHNOLOGIES AND FROM THE BREAKING DOWN OF THE LINGUISTIC AND REGIONAL BARRIERS WHICH USED TO BE SO MEANINGFUL.

The immediacy of the web and social networks requires an even sharper focus on topics such as freedom of expression, responsible advertising and information on the adequacy of particular content for more vulnerable users.

At the same time, it offers countless opportunities to showcase the skills and expertise of Mondadori, including in pro bono projects, the main goal of which is to “create a network” with other high-profile, professional areas and open up free, yet high quality, initiatives to the broad general public.

One example of these activities is **#ioleggoperché**: the initiative of the AIE (Italian Association of Publishers), in its second edition, meant to support school and company libraries. Thanks to the support of “messengers” (1,500 volunteers who provided testimonials for the initiative, promoting it online and also through the dedicated app) and the agree-

ment between the AIE and Confindustria, from 22 to 30 October 2016 readers in 1,417 Italian bookshops were able to purchase a book to be donated to one of the 2,378 schools participating in the project. The total number of books purchased and donated by the public was then doubled by the publishers and equally divided amongst all of the participating schools. The final count was 62,000 books donated, 12,450 of which were supplied by Mondadori Retail.

As a media company, Mondadori deals on a daily basis with a special topic - creativity - and it feels a responsibility to cultivate it, disseminate it and reward it in a sustainable manner for the benefit of all. In this sense, the integration of paper and digital, not just in terms of “media” but, more importantly, as regards tools and languages, is of crucial importance in the development of the company’s publishing activities.

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PROMOTING SUSTAINABILITY

30

Since 2012, Mondadori France has focused closely on integrating the paper channel with the digital channel. During this process, of key importance was the creation of a single platform to simultaneously produce the print and web versions of each publication, the latter also available for tablets and smartphones (iOS and Android) thanks to specially created mobile apps. There are currently 19 online brands: with 3.8 million unique users and over 1200 news items and videos published every month, *Closer* is the leading publication in the female *people* segment in France; it is followed by *Télé Star*, dedicated to TV events, with 3.1 million web and mobile visitors a month; finally, in the automotive, health & wellness and female upscale segments, we have, respectively, *Auto Plus* (1.9 million UU), *Top Santé* (2.5 million UU) and *Grazia* (1.9 million UU). Digital content can be accessed on the leading platforms, from videos that can be viewed on YouTube or DailyMotion to articles on Apple news, Google Play and Google AMP. Forums, blogs and comments posted by users relating to Mondadori France's online publications are monitored by a third-party company that specialises in moderating digital content: the operators verify, in real time and 24 hours a day, that external contributions adhere to the principles of honesty and legitimacy (i.e. that they do not promote violence and are not insulting or libellous).

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.

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.

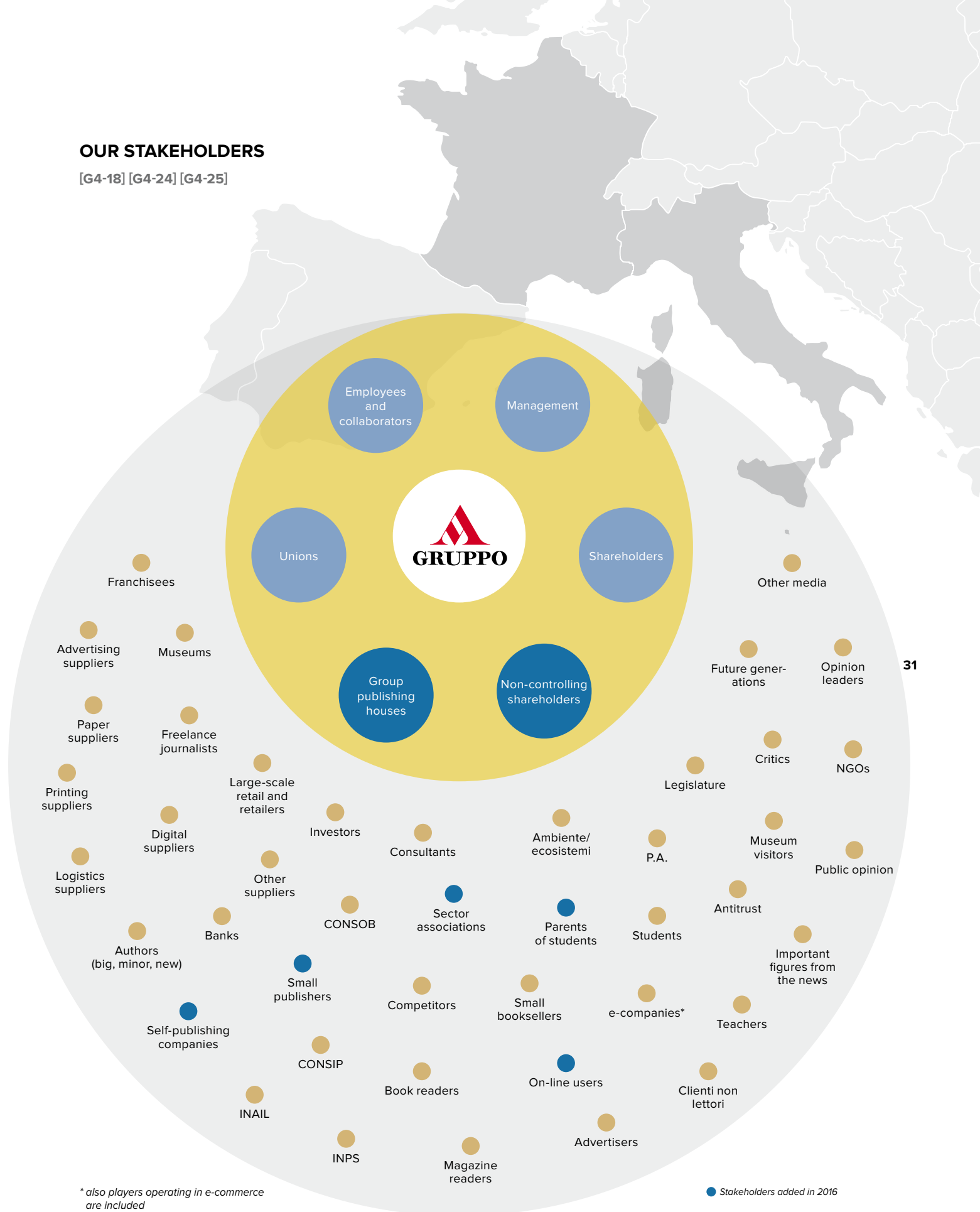
In 2016, Mondadori joined ValoreD, an association of businesses that promote diversity, talent and female leadership for the growth of companies and the country.

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

In 2016, it participated in the Confindustria emergency management programme dedicated to the areas of Italy struck by the earthquake, which involved participating companies by sending products free of charge.

OUR STAKEHOLDERS

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





OUR STAKEHOLDERS AND THEIR INVOLVEMENT

[G4-18] [G4-24] [G4-25] [G4-26] [G4-27]

With the goal of adjusting the content of the Sustainability Report to the various informational requirements of all types of company stakeholders, again this year Mondadori updated its stakeholder mapping, continuing along the path of defining and implementing specific engagement activities.

Taking into consideration the Group's areas of activity in Italy as well as in France, the list of internal and external company stakeholders was updated, which includes those parties who:

- provide input to / receive output from Mondadori (external);
- are part of Mondadori (internal).

In this manner, Mondadori defined a map of its stakeholders and their respective levels of priority.

Stakeholders were then grouped into uniform clusters, which were then individually examined to establish their level of interest vis-à-vis the main sustainability issues and, at the same time, to integrate their expectations within the process of updating the materiality analysis. [G4-18]

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Such mapping enabled Mondadori to identify more than 40 stakeholders who, through targeted interviews and dedicated workshops with the internal Sustainability Committee, were then classified based on the following criteria:

- dependence on Mondadori;
- influence on Mondadori.

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

STAKEHOLDER	CORPORATE FUNCTION	FREQUENCY	EXPECTATIONS	TOOLS	ANSWER	FURTHER INFORMATION
Financial community	Investor Relations Legal and corporate affairs	1 68	<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. 35-36
Suppliers	Group Procurement	Several meetings	Contractual provisions	<ul style="list-style-type: none"> Meetings Sending of documents 	<ul style="list-style-type: none"> Code of Ethics Contracts Supplier database 	pp. 18-19
Franchisees	Mondadori Retail	2	<ul style="list-style-type: none"> Direct comparison with objectives network reinforcement 	<ul style="list-style-type: none"> Roadshow 		
		4	<ul style="list-style-type: none"> Identification of areas for improvement 	<ul style="list-style-type: none"> Focus group 		
Unions	Group human resources and organisation	<ul style="list-style-type: none"> 1 (at European level) Several meetings (in Italy and in France) 	<ul style="list-style-type: none"> Information on Group progress and goals Definition and management of reorganisation plans 	<ul style="list-style-type: none"> EWC Negotiations 		<p>p. 70</p> <p>pp. 70-71</p>
Employees	Communications and media relations	At least once a week	<ul style="list-style-type: none"> Inform about Group and market news and events 	<ul style="list-style-type: none"> Intranet email social media 		p. 82
	Mondadori Retail	2	<ul style="list-style-type: none"> Inform about company news and events 	<ul style="list-style-type: none"> Newsletters 		
		3 2	<ul style="list-style-type: none"> Employee engagement in owned stores 	<ul style="list-style-type: none"> House organ Store Days <i>Oscar dei valori</i> 		pp. 34-35
Books audience	Trade books	4,407 presentations and events	Interaction with authors	<ul style="list-style-type: none"> Bookshop presentations Foreign author tours Participation in literary festivals 		
Magazine audience	Market research	<ul style="list-style-type: none"> 3 focus groups 1 quantitative survey (CATI - CAWI - CAPI) in three phases (pre-event, during the event and post-event) 1 qualitative survey (CATI CAWI) 1 qualitative survey (consumption of Italians) 	Greater understanding of tastes and habits of the public	Market research	Presentation of results to magazine marketing and advertising advertising	

The table on the previous page shows the main stakeholder engagement activities adopted by Mondadori in 2016. 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).

On the other hand, other projects were designed for individual stakeholders, as in the case of two initiatives organised by Mondadori Retail for employees in the owned stores. The first, **Store days**, conceived of to reduce the distance between the head office and store staff, envisaged the direct involvement of retail store management, who worked alongside employees in the store for the day. Store days opened up new channels of com-



munication between the head office and stores, and created the opportunity to share areas for improvement in the day-to-day management of store activities. This initiative, conducted over a 10-day period, involved the 30 owned stores and 10 representatives from the company management, allowing for the development of a shared decision-making process and the identification of solutions to meet employees' actual needs. At the end of each day, a brief presentation was given on the company's performance, followed by a Q&A and a pleasant dinner. The second initiative was the **Oscar dei valori**: a competition for direct network stores. In 2016, the store employees were asked to submit the actions of colleagues who epitomised one of the eight values representing Mondadori Retail each month (transparency and consistency, quality and excellence, respect and consideration of everyone, the importance of the customer, fairness and merit, passion and fun, innovation and courage, team spirit). The content of the actions highlighted was then analysed, so as to identify the most significant behaviours and nominate three employees per month for the Oscar. Once the nominations were gathered, at the end of the year an audience consisting of all employees voted for the 8 Oscar dei valori winners.

One example of structured and constant stakeholder engagement actions is the series of functions carried out by the Communication and Media Relations Department, which manages, inter alia, 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.

The activities of the Communication and Media Relations Department covers the bulk of the in-

formation 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 product news. A new version of the corporate website, available in English and Italian, was put online in July: designed to improve usability and facilitate sharing content on social networks, with information organised by areas - About us, Our brands, Governance, Investors, Sustainability, Media, Careers - for improved accessibility by investors, professionals, institutional entities and users in general, including from tablets and smartphones. Significant attention was dedicated to telling the story of the Group's path towards sustainability and its commitment to the creation of social and cultural value, with a transversal approach across the different areas of the website.

Relations with the financial community continued along the path of renewal started in 2014, characterised by a proactive approach, based on transparency and thoroughness of information, especially financial information: a disclosure no longer focused only on the strengths of the company but also, and above all, on critical issues and on the actions planned to meet those challenges. In fact, the Group's positive results in the last two years, its continuous activities to optimise operating processes and the cost structure, streamlining initiatives and the simultaneous strategic re-focusing of the business portfolio, along with the constant attention dedicated to publishing quality, have



MATERIAL ISSUES

[G4-18] [G4-19]

contributed to improving the financial community's perception of the Group, especially in terms of reliability and trustworthiness. In the course of 2016, communications activities and the development of relations with shareholders, institutional investors and financial analysts continued, with a number of meetings organised in Milan and in the main European markets. With its **admission to the Italian Stock Exchange's STAR segment** (7 December 2016), the Mondadori Group made a further step in its process of evolution, earning a place for itself amongst the best Italian listed companies and further developing relationships with the market and domestic and foreign investors alike, including by means of its corporate governance aligned with the best international standards. [G4-26] [G4-27]

Again this year, Mondadori updated its materiality analysis in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (version GRI-G4).

The Group's material sustainability topics were identified on the basis of several preliminary analyses (benchmarking and media analysis), the contributions received from the directors of the Mondadori business areas (Trade, Education, Magazines, Retail and Mondadori France), the informational requirements of significant stakeholders and the matters highlighted by the GRI-G4 guidelines and the "G4 Sector Disclosures - Media" sector supplement.

Then, in order to identify material issues for the company and its stakeholders from amongst these topics, a workshop was held with the Sustainability Committee, during which its members put the topics in order on the basis of their relevance for Mondadori. The significance of each sustainability topic for the company was decided upon considering the perception of Sustainability Committee members as well as an assessment of:

- the commitment and the policies adopted by Mondadori regarding each issue;
- the impact of each issue on the company's capital.

To determine the significance of sustainability issues for stakeholders, the results of the preliminary analyses conducted were taken into consideration, i.e.:

- media analysis activity which made it possible to analyse the media relevance and the attention of public opinion to each sustainability issue. The analysis was carried out with reference to the Group's different business areas, the latest events in which it has been involved and the sectors in its supply chain (paper mills, printers, etc.),

so as to evaluate the impact of each issue, even outside the scope of the company;

- benchmarking with companies, not only Italian, working in the media segment, which made it possible to understand which sustainability topics they focus on and therefore are most significant at sector level.

In accordance with the GRI-G4 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 scope, i.e. along the Mondadori value creation chain.

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 for Mondadori and its stakeholders are: the **search for editorial product quality, focus on the core businesses, digital evolution, human capital management, the promotion of culture and reading and editorial independence**;

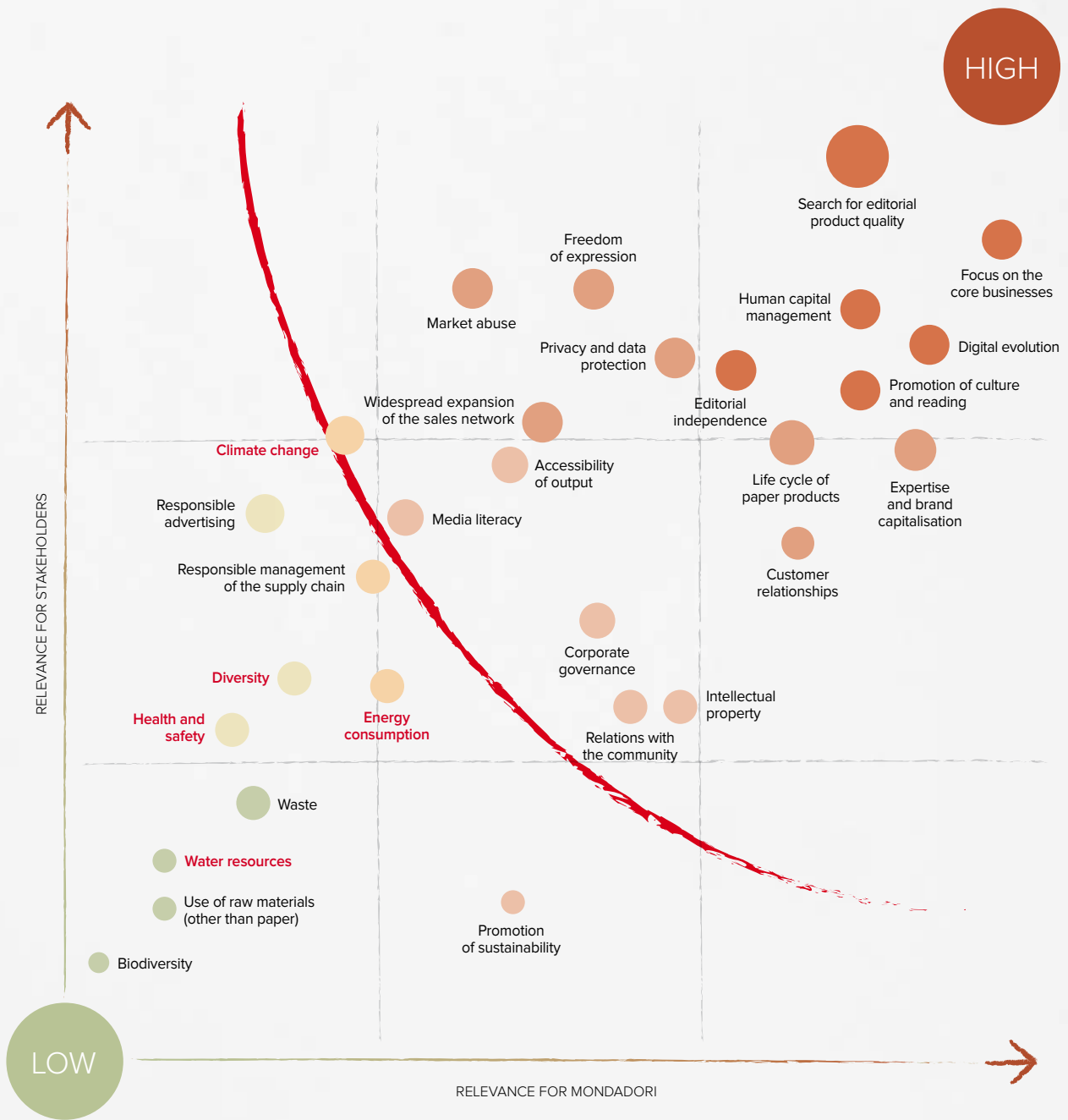


- the majority of the issues related to Mondadori's specific business were judged to be material (**accessibility of output, freedom of expression, editorial independence, search for editorial product quality, privacy and data protection, media culture, intellectual property and promotion of culture and reading**);
- in line with the process of expanding the franchising network set forth by the company and the growing attention dedicated to accessibility to editorial products, the decision was made to include the **widespread nature of the sales network** amongst the material topics for Mondadori as well, as it is significant for the company as well as its stakeholders;
- as regards environmental impacts, the aspects that are most significant for Mondadori and its stakeholders are those linked to the **life cycle of paper products and climate change**.

Mondadori is subject to Italian Legislative Decree 254/2016 ("Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups"). For sustainability disclosures published beginning in 2017, this decree requires the inclusion of non-financial information that can facilitate comprehension of the company's activities, its performance, results and impacts, and lists a set of disclosures which, based on the formulation of the law, appear to be compulsory. While waiting for a prevailing interpretation of the law to materialise, and with a view to progressively coming into line with it, Mondadori decided to continue providing those disclosures, although some of them are not considered material based on the updated materiality analysis. These topics are highlighted in red in the materiality matrix. [G4-18] [G4-19]

MATERIALITY MATRIX

[G4-18] [G4-19]



COMMITMENT TO THE COMMUNITY

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.

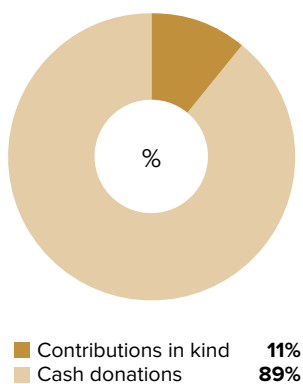
The model's objective is to measure all contributions made by businesses to the community: not just gifts but also output that is not expressed financially, such as contributions in kind or volunteer work done by employees.

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.

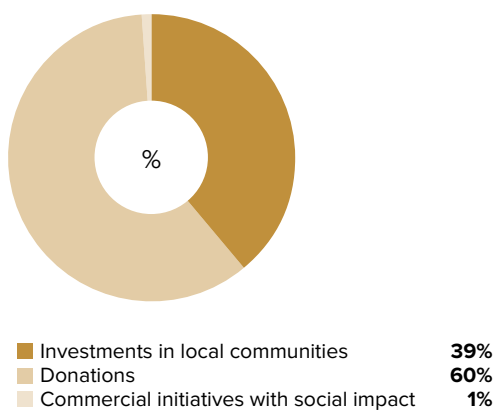
In 2016, the resources allocated by the Group to communities were estimated at over euro 700,000.

In terms of contribution type, calculated solely on the total amount of gifts, charitable cash donations make up 89% while contributions in kind account for the remaining 11% (the impact of the "management of initiatives" category has not yet been estimated, and there were no employee volunteer initiatives conducted in 2016).

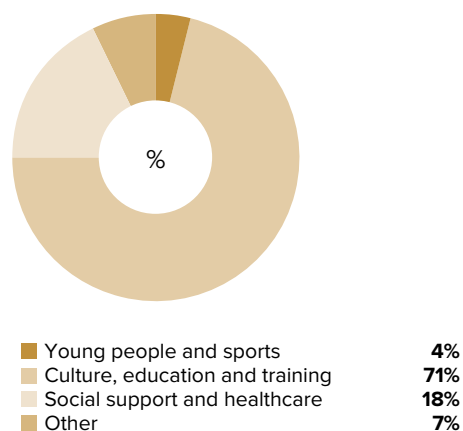




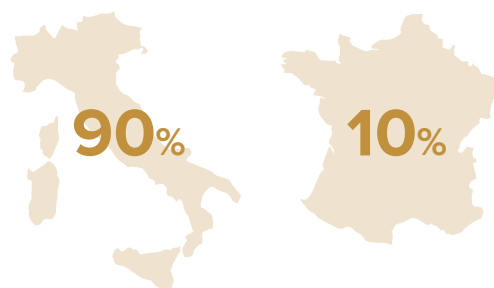
Regarding type of initiative, 39% comprise investments in local communities while only 1% are business initiatives. Donations account for 60% of the total amount.



The company's action areas in 2016 are shown in the table below:



Gifts 2016



As regards geographical distribution, 90% of the above sums are associated with activities in Italy while the charitable donations of Mondadori France represent 10% of the total.

MEDIAFRIENDS

Established in 2003 by Mediaset, Mondadori and Medusa, non-profit association Mediafriends seeks to raise funds for charity projects and to increase the visibility of social promotion initiatives.

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 than 150 associations to implement 274 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 the communication and promotion, through its own media, of the association's activities.

INITIATIVES IN SUPPORT OF THE COMMUNITY

The activities carried out in 2016 with the aim of supporting single associations and projects for the benefit of the community involved both the Group and the individual businesses and companies.

Once again last year the Group contributed by making a donation, during the end of year festivities, to projects in line with its social responsibility commitment; more specifically, in 2016 its donation went to the **Children's Clinic** of the Fatebenefratelli Hospital of Milan and, more precisely, the **multidisciplinary centre dedicated to adolescent problems**.

The Children's Clinic, founded in May 2015, complements medical care with a series of socio-recreational treatments: these include the first facility in Italy for the rehabilitation of the young victims or perpetrators of the growing phenomenon of



cyberbullying. Every year the team of child psychologists, psychiatrists and neuropsychiatrists handles over 700 cases of bullying, online and not, as well as 300 cases connected with vamping (messages, photos, comments made during the night) and catfishing (creation of fake IDs to conceal one's identity).

In October 2015, an agreement was signed between Fatebenefratelli Hospital and MIUR to create, within the Children's Clinic, a Centre for the prevention and combating of cyberbullying and illegal online phenomena. The structure is named after Carolina Picchio, a 14-year-old from Novara who committed suicide in 2013 and is now the emblem of the fight against online bullying.

Particularly worth mentioning is the support that Mondadori France guarantees the **Restos du Coeur** association each year. Stemming from an idea by actor Coluche in 1985, Restos du Coeur provides assistance, beginning with the free distribution of meals, to disadvantaged sections of society, from the homeless to families affected by the economic crisis. In over 30 years of activity, Restos du Coeur has expanded its scope of action: the distribution of meals remains its primary function (over 132 million meals provided), and gradually this has been joined by initiatives for reintegration in the world of employment, legal advice, healthcare, housing, education and recreational assistance.

“

THE PRIDE AND BEAUTY OF ITALY, SEEN FROM CLOSE UP

Scientific meetings and forums on the world of employment, journeys to rediscover art and cooking shows, illustrious guests and emerging businesses: these are just some of the pieces of the major mosaic that is *Panorama d'Italia*, the travelling live experience, now in its third year, which underlines some of the unique features of Italy.

The first event in Genoa (30 March-2 April) was followed by those in Macerata, Perugia, Padua, Ravenna, the Amalfi Coast, Cagliari, Milan and Mantua, before concluding in Trapani (23-26 November). The various Panorama channels reached six million contacts and there were 216 events, all free, involving the participation of 130,000 spectators and 448 speakers, including writers and entrepreneurs, ministers and Michelin-starred chefs.


Of particular note was the Milan stage which, exceptionally, lasted 7 days: during this week of ferment in the capital of Lombardy, the Mondadori Group's Segrate site hosted the *A scuola di futuro* event, welcoming the secondary schools participating in the *Il bello di Milano* competition which received their awards from Education Minister Stefania Giannini. During the ceremony, in which 100 books were awarded to each school, four "classics" to each pupil and the winners were awarded an internship with the *Panorama* newsroom, the Minister empha-

sised the importance of spreading the "school-work alternation" model among the young, hoping to involve 1.5 million youngsters within the next two years.

Again, aimed at greasing the cogs of the world of business, in every city on the tour the *90 secondi per spiccare il volo* initiative rewarded the best start-up with the concession of tools and resources for the development of their business plan. In partnership with HRCommunity Academy Italia, *Panorama* dedicated every Friday morning of each stage to career guidance workshops for 1,200 young students, organising meetings with the HR directors of the leading Italian companies: these also included Mondadori, protagonist of a meeting in the Megastore in Piazza Duomo. Numerous other meetings between young entrepreneurs, venture capitalists and innovation experts were hosted by the universities.

New for this edition was the partnership with *Focus*, the most-read magazine in Italy, which presented two events at each stage: the themes of the meetings were climate change and space exploration and, as well the authoritative contributions of astronauts and members of the Italian Air Force, they were supplemented with a virtual experience that involved wearing visors that were distributed free of charge to participants.

Not just culture and entertainment but also a chance to focus the attention on charitable activities. For the duration of the *Panorama d'Italia* tour, Lega del Filo d'Oro and Cruciani worked together, with the participation of the public, to raise funds for the National Centre of Osimo, dedicated to caring for the deafblind and their families.

 see pictures on p. 26

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Contemporary art portrays the future.

Read more on p. 59

THE IMPORTANCE OF THE AUDIENCE

The responsibility
of the editorial
product

Freedom
of expression

Customer
satisfaction

Privacy
protection

2050: the past that
designs the future

NOWADAYS, THE DESIRES AND EXPECTATIONS OF THE CUSTOMER PLAY A DECISIVE ROLE IN EVERY SECTOR: THE PARTICIPATORY DIMENSION OF CONSUMPTION AND THE INSTANT INTERACTION WITH THE END USER HAVE REVOLUTIONISED THE WAY WE CREATE AND DISTRIBUTE PRODUCTS.

AND IN THE PUBLISHING SECTOR THE USER CAN CONTRIBUTE AT VARIOUS LEVELS TO ENRICHING AND IMPROVING THE PRODUCT WITH THEIR OWN CONTENT OR THROUGH THE EXCHANGE OF IDEAS AND OBSERVATIONS WITHIN THE COMMUNITY AND DIRECTLY WITH THE AUTHOR OF A TEXT, ARTICLE OR POST.

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IT IS ESSENTIAL TO LISTEN AND TAKE HEED, FOR BETTER OR WORSE, OF SUGGESTIONS, CRITICISM AND REQUESTS THAT COME FROM THE MOST DIVERSE OF AUDIENCES THAT COME INTO CONTACT WITH MONDADORI.

AS SUCH, RESPECT FOR THE LAWS, RULES AND CODES OF CONDUCT THAT REGULATE THE DAILY ACTIVITIES OF THE COMPANY ARE NOT ENOUGH: CLOSE AND CONSTANT ATTENTION MUST ALSO BE PAID TO THE QUALITY OF PRODUCTS AND SERVICES AND THE ABILITY TO RENEW THEM ON THE BASIS OF THE INDICATIONS THAT COME FROM USERS.

THE RESPONSIBILITY OF THE EDITORIAL PRODUCT

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 editorial products, including books, magazines, websites and digital products, while respecting the attitudes and sensitivity of the general public.

The results of this approach are public and easily observed: one needs only to go to any 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.

Our responsibility to create and distribute content to our public can also be seen in our media literacy activities, initiatives designed to get users more closely acquainted with communication media.

Held twice in 2016, the **Diventa giornalista competition** run by *Focus Junior* magazine is designed to introduce children and adolescents to the world of journalism in a fun and innovative yet accurate and exhaustive way. The project offers teachers a simple free handbook that guides pupils through the creation of their own school newspaper, with the help of digital instruments. Using the journalist kit, the children have the chance to explore their interests and critical skills when writing, supported, at all stages, by the guidelines provided. Once they have finished, all the little reporters then need to do is send the digital format to the magazine's email address.

Over 700 schools took part in the first edition: the winners were given the opportunity to spend an entire day in the *Focus Junior* editorial office and find out at close-hand about the meticulous work that goes into producing a magazine.

The theme of nature was chosen for the edition that was launched in November 2016 and will finish in April 2017. This time *Focus* will visit the three winning classes to award them a reporter's diploma together with a free annual subscription.



FREEDOM OF EXPRESSION

As Italy's leading publisher, Mondadori is committed to covering the widest possible spectrum of content, guaranteeing the freedom of expression of all its authors and protecting the intellectual property of the works and services it produces and distributes. The very nature of the publisher suggests that it **supports the individuality inside each publishing house** and this can only be put into action by giving writers the **utmost freedom and independence**. The variety of content produced, together with its quality, represents the cornerstone of the Group's editorial policy: it is our duty to offer the public a multi-dimensional perspective that allows each reader to form their own subjective opinion.

Mondadori Università, will not last long; not even the most impervious places, like Greenland, are safe from the power of modernity (Robert Peroni and Francesco Casolo, *In quei giorni di tempesta*, Sperling & Kupfer). Nobel-prize winning economist Joseph Stiglitz highlights the inequalities caused by uncontrolled American liberalism motivated by pecuniary gain and lacking in ethics, and proposes various possible solutions (*The great divide*, Einaudi). Meanwhile, dystopia and reality are blended together in *Zombie, alieni e mutanti* (by Gaia Giuliani, published Mondadori Università) to analyse the fears of the contemporary West against a sci-fi background.

Fears that fuel **ethnic intolerance**, such as the bigotry that 23-year-old Muslim woman Chaimaa Fatihi confronted face to face to in order to integrate in Italy (*Non ci avrete mai*, Rizzoli), or the intolerance rooted in the clichés of Italian parents who see diversity as an obstacle to the education of their children (Benedetta Tobagi, *La scuola salvata dai bambini*, Rizzoli). Many pages are dedicated to migration (Pi-

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In a year marked by cultural and political conflict, by terrorist attacks and the return to prominence of nationalism, environmental disasters and migration, numerous publications deal with the topic of **globalization**: a model which, according to Italo Santoro (*Verso il disordine globale?*) and Sandro Bernardini (*Crisi o declino?*), both published by



etro Bartolo and Lidia Tilotta, *Lacrime di sale*, Strade Blu – Mondadori; Maxima and Francesca Ghirardelli, *Solo la luna ci ha visti passare*, Mondadori; Valerio Calzolaio and Telmo Pievani, *Libertà di migrare*, Einaudi), some of which also aimed at children (Erminia Dell'Oro, *Il mare davanti*, Piemme), and the corruption that pervades the mechanisms of the Italian context (Mario Giordano, *Profugopoli*, Mondadori).

Meanwhile, the **inalienable rights of women** are the subject matter of *I Am Nojoom, Age 10 and Divorced* by Nojoud Ali (Piemme), spokesperson for the abuse still perpetrated in Yemen, and *Il giudice delle donne* (by Maria Rosa Cutrufelli, published by Frassinelli), which traces the origins of female suffrage. Elif Shafak (*Three daughters of Eve*, Rizzoli) and Nina Palmieri (*Liberasempre*, Mondadori) highlight the social and cultural contradictions of the female condition in Turkey. Aldo Cazzullo goes as far as to predict that women will overtake men this century and praises their strength, evoking figures of the past and present (*Le donne erediteranno la terra*, Mondadori).

Presented to mark International Children's Rights Day, a UNICEF fundraising vehicle during Bookcity Milano 2016, *Quel che finisce bene* (by Roberto Piumini, *Il Battello a Vapore - Piemme*) tells the tormented, but ultimately happy stories of nine children in order to reiterate the **rights of the younger generation**. Close attention is focused on the adolescent problems of bullying (Giovanni Floris, *Quella notte sono io*, Rizzoli) and drugs (Carolina Bocca, *Soffia forte il vento nel cuore di mio figlio*, Mondadori Elettà). Meanwhile, Giacomo Mazzariol talks about his growth path alongside his disabled brother Giovanni, his "superhero" (*Mio fratello rincorre i dinosauri*, Einaudi), and Nicole Orlando, with Alessia Cruciani, tells her story as an athlete affected with Down's syndrome (*Vietato dire non ce la faccio*, Piemme).

Various authors explore the **sociological dynamics of modern society**: Riccardo Staglianò worries about the impending replacement of people by machines to the detriment of the middle classes (*Al posto tuo*, Einaudi); the diversity of sexual orien-

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tation, which Fabio Canino imagines prospering in the economically declassified Greece (*Rainbow republic*, Mondadori), contrasts with the obtuseness of people (Mattia Cesari, *Omofollia*, Rizzoli) and the hypocrisy of the Church (Krzysztof Charamsa, *La prima pietra*, Rizzoli).

There is also lots about Italy, with its light and shade, in the new publications of 2016: from the celebration of its **natural heritage** in the photos of *I luoghi del cuore. L'Italia scelta dagli italiani* (edited by Federica Ammiraglio, Rizzoli) to the roots of corruption in the Italian political system (Raffaele Cantone and Gianluca Di Feo, *Il male italiano. Liberarsi della corruzione per cambiare il Paese*, Rizzoli, and Nicola Gratteri and Antonio Nicaso, *Padrini e padroni*, Mondadori), critiques on Italian products of excellence in the food sector (Giulia Innocenzi, *Tritacarne*, Rizzoli), and the shadow economy of toxic waste managed by the Camorra (Daniela De Crescenzo, *Così vi ho avvelenato*, Sperling &

Kupfer). Surgeon Pietro Bagnoli describes his experience as a victim trapped in the insurance-legal system of “defensive medicine” (*Reato di cura*, Sperling & Kupfer) and Roberto Burioni warns us about the importance of vaccines for avoiding the outbreak of epidemics in the future (*Il vaccino non è un'opinione*, Mondadori).

Finally, **Pope Francis**, interviewed by Andrea Tornielli in *Il nome di Dio è misericordia* (Piemme), invites us to understand others in *Chi sono io per giudicare?* (Piemme). As proof of the ongoing relationship between Mondadori and Pope Francis, the editorial project *Chiedete. Le mie risposte alle vostre domande* (*Ask. My answers to your questions*) was launched in collaboration with eFanswer and Scholas Occurrentes, putting the *pontifex maximus* in touch with millions of people from all over the world: more than just a straightforward book, this is an “**international social event**”, as Bergoglio himself described it.





MAKING PRODUCTS AND SERVICES ACCESSIBLE

Incessant technological development, with specific reference to the media sector, is making methods of communication obsolete increasingly quickly and, at the same time, creating new interaction opportunities with the public. For this reason, it is essential that the content produced by the Mondadori Group is available on the most popular channels without the switch from one platform to another impacting on the clarity or accessibility of the product.

Paper or e-books, magazines that can be flicked through physically or digitally, websites and web applications complete the multi-channel offer.

One particularly structured example of this system of content creation is the field of school books, not only due to education legislation and the evolution of technology but, for the Group, also because of the arrival of Rizzoli Education and its numerous publishing brands. In 2016 the Mondadori and Rizzoli educational areas focused particular attention on the creation of editorial products for students that met demands for **inclusivity**. The majority of intellectual and economic resources went towards developing texts that could also be used by students with Special Educational Needs (SEN) and Specific Learning Difficulties (SpLDs), covering around 70% of school curricula. The advancement of digital technology makes it possible to produce highly legible documents and supplement texts with a package of support systems such as accessible back translations, interactive conceptual maps, and additional audio and video content to help the assimilation of knowledge.

A significant contribution has been made by Rizzoli Education and the volumes it has produced in partnership with Centro Studi Erickson, publisher and training centre that focuses on educational methods for recovery and support, as well as social problems in adolescents. This collaboration also

produced the initiative #dossierBES, designed to provide teachers with all the tools they need for inclusive teaching in 9 online sessions on Facebook and Twitter.

The two educational areas worked together to develop HUB Scuola, the digital platform that from September 2017 will include the products and tools of the publishers in the same environment and, for all intents and purposes, will be the most important Italian digital educational platform in terms of market coverage, packed with innovative content and services in order to expand and personalise learning processes.

In terms of accessibility, the new editorial platform employs an editorial strategy centred on the **offer of increasingly collaborative and inclusive content** for teaching and learning. In fact, with this environment teachers and students will be given the tools to plan inclusive lessons accessible to everyone, personalising and sharing materials, monitoring the results, creating digital content and gathering multimedia content used to supplement their texts, taken from the internet or produced personally in class.

Worthy of special mention is the project developed by the Rizzoli Education **educational workshops** (insieme.rizzolieducation.it): Project inclusion, Beyond the confines, Skills goal, School and business, Thinking multimedia and Learning by doing are the six themes that permeate the value and editorial content produced by Rizzoli Education, summarising, in the simplest and most effective way, the range of content, activities, resources and tools that the publisher makes available via its work.

Each workshop has its own distinctive logo, characterising Rizzoli Education's output with regard to that educational workshop; from the covers of the books to files, from promotions to events. This inte-

RELATIONS WITH USERS

grated communications strategy promotes the key aspects and underlying values of all of the publisher's products and initiatives, making them immediately identifiable.



More specifically, each workshop represents one of the most important issues in the schoolbook publishing world and analyses it in depth, explaining why the topic is so important to the publisher and showing everything that it does - in the books and elsewhere - to help teachers meet the goal during the year.

This project was communicated using an effective storytelling strategy on social platforms that highlighted the key content of the various workshops.

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

In particular, interaction through the social networks continues to develop quite significantly in terms of numbers of contacts and the infinite possibilities of creating events, often wide-reaching and collaborative in nature.

With the Banzai brands joining the Group portfolio, there are also new activities that involve **a different company-user relationship** due to the **prevalence of UGC** (user generated content): this is the case with o2o, a web marketplace of content that allows authors, i.e. users, to write articles on subjects of interest to them and, depending on certain criteria, mainly qualitative in nature, to generate profits.

In 2016 the Mondadori Group was present on the main social platforms in order to communicate its editorial spirit, events and the content created for its users more effectively and to a wider audience. The number of followers on the corporate Twitter account reached 10,317 (+13.5% compared 2015), those on LinkedIn 45,301 (+23.3%), while the number of fans on Facebook rose to 4,125 (+72.2%). New for this year was the creation of an Instagram account which registered 1,110 followers in six months: as part of the #Noi della Mondadori (see p. 25) initiative, every week the faces of those that work for Mondadori, dedicating their expertise to the company on a daily basis, were published.

Mondadori Education has always focused closely on its relationship with teachers, key figures in the process of creating text books and indicators

of the level of quality of the content provided by publishers.

In 2016, with its focus on consolidating its relationships and collaboration, Mondadori Education concentrated on listening to teachers and gathering their opinions and feedback, mainly via two engagement tools: focus groups and online surveys. Focus groups were organised during the year primarily with the aim of collecting tips and ideas by which to improve the process of creating both paper-based and digital editorial products.

Through an anonymous online survey (made up of both open and closed questions), Mondadori Education then collected the feedback of teachers on the updating of the editorial content compared with the previous year and the effectiveness of the new methodologies.

The tools for dialoguing with teachers are supplemented with thorough consultation work with the

network of promoters who, working in direct contact with the teachers, receive immediate feedback on the quality of the editorial content and provide Mondadori Education with an up-to-date snapshot of the evolution of the school publications market.

As regards relations with users, Mondadori Education provides a customer care service via an external call centre, an instrument that the publisher uses to respond to specific requirements that have been flagged up, where possible also recognising potential areas of improvement for the future.

Rizzoli Education's interaction with teachers takes place via a diversified network of channels: the website, digital communications (newsletters), social networks (Facebook and Twitter) and webinars.



The website www.rizzolieducation.it was updated constantly in 2016 in parallel with the flow of activities proposed by the publisher: presentations of new editorial and digital products, events, webinars and competitions. The website is both a communications tool and the portal for accessing all of the publisher's services, from event registration forms to the digital platform, from the ordering of free materials and files to direct contact with the network of agents.

Rizzoli Education interacts constantly with its public through an email marketing system that every week or so informs teachers about the most interesting news in a targeted way.



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In terms of communication and accessibility, the **online training and updating seminars** constitute a service that enables the publisher to maintain a lively two-way relationship with teachers. In fact, the connected public can listen to the video lessons and voice their doubts at any time, an aspect that combines the convenience of remote access with active participation in a “real” meeting.

Of the successful communications projects launched in 2016, the one on social networks, with particular reference to the publisher's Facebook page (www.facebook.com/rizzolieducation), is worthy of special mention.

Stemming from the desire **to create a strong, active and interactive community** around the Rizzoli brand, the project consists of the creation of an editorial plan made up of weekly columns which alternate useful practical information for teachers with fun content, as per the logic of the ‘social media’, and promotional material.

The goal is to develop a new channel of communication, more accessible and more popular with

teachers and students, which allows the publisher to concentrate on the quality of its contacts (profiling of users and immediate feedback on satisfaction levels) and promote personalised marketing campaigns.

In terms of figures, the number of fans of the page grew from a little over 4,000 (September 2016) to 16,000 in March 2017, with a huge average increase in coverage per post, while every item of content published has a level of involvement and interaction among the members of the community and the publishers that continues to grow.

The publisher's Twitter account follows the same editorial plan during the year with the exception of days dedicated to events and meetings when it is used to share particularly significant photos and quotes.

CUSTOMER SATISFACTION

The satisfaction of Mondadori customers is monitored via various initiatives, the most significant of which in the retail area. Since December 2014 online customer satisfaction has been **measured using the NPS** (Net Promoter Score) concept, which also aims to identify areas of the purchasing experience that can be improved. The certificate of the Netcomm consortium is published on the website bearing the average general score and the average scores in 6 categories (conformity, customer service, delivery times, discounts and promotions, simplicity, payment methods) as well as buyer reviews.

In 2016 Mondadori Retail once again participated in the **“Insegna dell’Anno” competition**, winning the bookshops category for 2016-2017. The award is based on the evaluations of consumers as regards 9 key aspects in the purchasing process: the quality/price ratio; price levels; offers and promotions; service; the training and courtesy of staff; the range; the atmosphere; innovation. An international prize that has been in Italy for nine years, the award incentivises Mondadori Retail to develop spaces that are increasingly stimulating and rich in new features for its customers.

Finally, as in 2015, the network of Mondadori bookshops was the winner in the **Positive Buying Experience** category at the second Positive Business Awards, created and organised by Scuola di Palo Alto – Italy’s most prominent non-academic business school. This represented acknowledgment of its ability to offer its customers an “emotive” and positive purchasing experience, demonstrating how the attentive management of its clientele and the purchasing experience contribute to the company’s competitive advantage.

In addition, again with the aim of extending the benefits it offers its customers, after participating



in the multi-partner **Payback** loyalty scheme in 2015, in 2016 Mondadori converted the Mondadori Cards into Payback Mondadori cards. These enable customers to accumulate points at all Mondadori stores in Italy, on the Mondadoristore.it website and at the other leading brands in the main mass consumption and services sectors that are partners in the Payback scheme, offering them the possibility of accessing discounts and rewards more quickly. Holders of Payback Mondadori cards can accumulate two Payback points for each euro they spend when buying books and one Payback point for every euro spent on all other music, cinema, technology, toy and stationery products in the Mondadori channels.

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. Corporate website www.mondadori.com makes an important contribution in this regard: completely redeveloped in terms of its layout and functions in 2016, the new corporate site provides key information and in-depth content for the greatest possible number of stakeholders, offering a complete overview of all of the Mondadori companies.

One particular example of our dialogue with our customers can be seen in the subscription service of the French magazines. Given the French market's typical preference for the subscription formula, Mondadori France focuses close attention

on maintaining a lasting and proactive relationship with its readers. It is sufficient to consider that in 2016, as in 2015, the subscription renewal rate was 68%: in short, 2 out of every 3 readers choose to receive their Mondadori France magazines at home for another year; this figure is even more relevant when we take into account the increase in prices of the magazines in recent years, a factor that doesn't seem to influence this trend.

The Marketing Department ensures that readers are suitably followed, providing a customer service which in the period in question managed over 1.5 million calls and written requests: the quarterly surveys carried out on a sample basis, specifically referring to the 488,000 calls processed, reveal that **97% of customers declare themselves to be satisfied** or quite satisfied with the services they receive. Vice versa, the readers provide the editorial teams with precious input during the frequent consultations regarding their preferences and expectations, particularly ahead of major editorial changes.

Through the various social media we reach out to 3.4 million fans, followers and subscribers (+33% vs. 2015), enabling us to further improve our interaction with the public, who can access the information they desire also by visiting the websites mondadori.fr, kiosquemag.com, mondadoripub.fr or the various e-commerce platforms.

Since 2013 Mondadori France has decided to diversify its activities by offering its readers privileged cruise packages with itineraries that go from the Seine to Patagonia, Norway to the Mekong, enriched with exclusive meetings with stars from the world of television or science. Although a minor activity, this service perfectly sums up its desire to establish a more deep-rooted relationship with its customer base.

Subscription renewal rate



+33% 

fans, followers and subscribers

PRIVACY PROTECTION

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'), the recommendations provided by the competent Communications Authority for the protection of personal data, and the new provisions of European Regulation no. 679 of 2016.

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) department was established with the objective of developing an integrated contact management system with customers, a single structure in which the data pertaining to the 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 loyalty programme adopted by Mondadori as a partner of the Payback circuit, a customer registered on the Group's e-learning platforms or with 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 individ-

ual customers upon registration (or subsequent changes).

Following the significant changes made to the Group cookie policy and privacy notice in 2015, also in light of the recent extraordinary operations involving the Group (the acquisitions of Rizzoli and Banzai Media), in 2016 these documents were further implemented in order to consolidate the CRM system adopted in compliance with applicable regulations.

Following the entry into force of European Regulation no. 679 of 2016, which will become the only binding regulation on privacy for all member states from May 2018, the Mondadori Group, including Mondadori France S.A., is planning and gradually implementing all of the procedures required by the new regulation with the goal of achieving total compliance with the document by the aforementioned deadline.

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PRIVACY AT MONDOLIBRI

For Mondolibri, a Mondadori Retail company 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	2014	2015	2016
Control bodies	0	0	0
External bodies (other)	7	0	0
Total	7	0	0

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

PRIVACY AT INTHERA S.P.A. (FORMERLY CEMIT INTERACTIVE MEDIA S.P.A.)

The Group company specialising in strategy, planning and the development of marketing solutions beginning with the management of data and content, Inthera carries out its business activities working with proprietary and third-party databases (customers and suppliers), which is why it 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. Inthera 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, Inthera issues inter-



ested parties with a suitable privacy notice which indicates all elements required by law and, in particular, the contact persons to 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, Inthera removes the personal data of the requesting party from its databases, thus preventing any subsequent use.

The Inthera 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 Inthera's specific activities, the company provides the Group general management with its ongoing support in order to consolidate its compliance with privacy laws and in particular the new European Regulation no. 679 of 2016.

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2050: THE PAST THAT DESIGNS THE FUTURE

“Art is both indicative of an era and a herald of change”: this is how Jacques Attali described the exhibition, held at the Palazzo Reale in Milan in the spring, which saw 46 international artists create 50 works inspired by the French economist’s essay *A brief history of the future*. Curated by Pierre-Yves Desaiwe and Jennifer Beau-loye, the show was the result of the collaboration between publishers Electa, the Municipality of Milano and Musées Royaux des Beaux-Arts de Belgique of Brussels.

At 2050 the public, led through the 5 waves described in Attali’s book, were able to see different depictions of the future, some more appealing than others, in the form of paintings, sculptures and installations: the starting point is 1980’s Los Angeles, where the invention of the microprocessor is the inspiration behind the works of Chris Burden, Edward Bur-tynsky et al., leading right through to the *Computer Art* of Charles Csuri and Masao Kohmura. The period of American dominance is followed by its fall, announced by the images depicting the tragedy of 9/11 (Wolfgang Staehle, Hiroshi Sugimoto), which shakes up the global geopolitical scenario, as represented in the works of Mark Napier, Alighiero Boetti, Mona Hatoum.

Now, the fate of the planet is in the hands of 12 nations, economically more advanced but unable to get to grips with the most critical issues: overconsumption (John

Isaacs), overpopulation (Michael Wolf, Yang Yongliang), the over-exploitation of natural resources and pollution (Olga Kisseleva, Wilhelm Mundt). We therefore move on to the phase of the *hyperempire* (Andy Warhol, Mark Lombard) in which the sovereign power of states gives way to market forces and everything, from time (Gustavo Romano, Roman Opalka) to bionics (Stelarc, Hans Op de Beeck), becomes a commodity to trade.

When the tension generated from these imbalances become unsustainable, we are submerged by the wave that Attali describes as *hyperconflict*: Al Farrow, Gregory Green and other artists depict a world dominated by war and dictatorships where individual freedom will be just a memory. However, if humanity survives, the advent of *hyperdemocracy* is a possibility, a “positive society” shaped by altruism that is depicted in the works of Mark Titchner and Gonçalo Mabunda, and in the Little Sun project.

Another Electa exhibition, carried out with various associations, endorsed by UNESCO and curated by Francesco Rutelli and Paolo Matthiae, is *Rising from destruction*. *Ebla, Nimrud, Palmyra*, an exceptional 1:1 scale reconstruction of three symbolic monuments of antiquity: the Bull of Nimrud, the ceiling of the Temple of Bel in Palmyra and the State archive room of the Palace of Ebla. Located in the evocative setting of the Coliseum, the goal of the reproduction was to raise public awareness of the iconoclastic barbarity taking place in the Middle East, promoting the safeguarding of culture, expression of the identity of people and humanity itself.

◀ see pictures on p. 44

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From the book to a theatre tour: explaining Leopardi to teens.

Read more on p. 83

THE COMPANY AS A COLLECTIVE AND INDIVIDUAL GROWTH PROJECT

Workforce

**Industrial
relations**

**Recruitment
and development
tools**

**Remuneration
and incentive
system**

Training

**Company
welfare**

**Internal
communications**

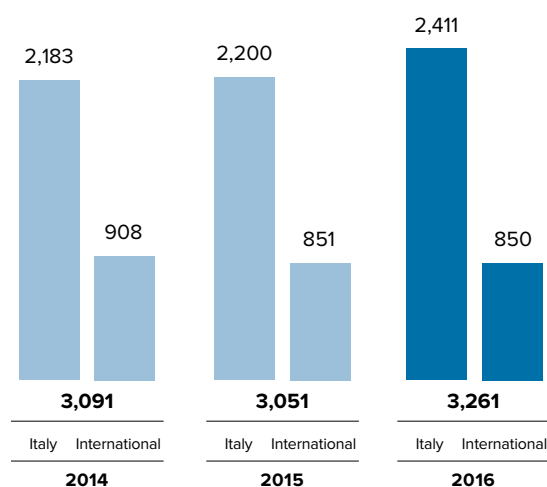
**D'Avenia explores
Leopardi for the youth
of today: *L'arte di essere
fragili***

THE TRANSFORMATIONS IN THE SECTORS IN WHICH THE MONDADORI GROUP
OPERATES, TOGETHER WITH THE CHANGES WITHIN THE COMPANY,
IN BOTH ORGANISATIONAL AND ECONOMIC TERMS, SEE US FOCUS
CLOSE ATTENTION ON OUR HUMAN RESOURCES WITH THE AIM OF DEVELOPING
THE SKILLS AND EXPERTISE OF BOTH INDIVIDUALS AND THE GROUP,
ALSO THROUGH ONGOING TRAINING THAT TAKES ACCOUNT
OF THE NEW REQUIREMENTS OF THE BUSINESSES.

WORKFORCE

At 31 December 2016, the Italian consolidated companies had 2,411 employees, 9.6% up compared with the previous year due to the acquisitions of Rizzoli Libri and Banzai Media. The table also includes the 3-year data relating to the consolidated foreign companies (Mondadori France and, from 2016, Rizzoli International Publications, the company headquartered in New York that became part of the scope of consolidation in April 2016; for the statistical data on employees at this company see the table on p. 69; the data relating to Mondadori France are presented separately from those of the Italian scope for each year in question).

HEADCOUNT 2014 – 2016



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N.B. The total headcounts for 2014 and 2015 do not include employees of companies that left the scope of consolidation during the 3-year period. [G4-22]

The 2016 headcount for Italy in this table does not include 17 units belonging to subsidiary AdKaora, associated from a labour cost perspective with the Mediamond joint venture; conversely, from an administrative and staff management perspective, the total Italian headcount, 2,428, used in the subsequent tables (statistical, training and other data, pp. 116-119), does include them.

In addition to the employee headcount, we also provide the following figures: for the Italian scope, the average number of temporary workers during the year, divided according to business area; for Mondadori France, the average number of freelance workers (or pigistes, the majority of whom journalists):

ITALY	2015	2016	FRANCE	2015	2016
Temps			Pigistes		
Headquarters	18	15			
Books	44	47			
Magazines	61	46			
Retail	75	84			
Total	198	192	Total	367	378

HIRINGS AND TERMINATIONS ITALY

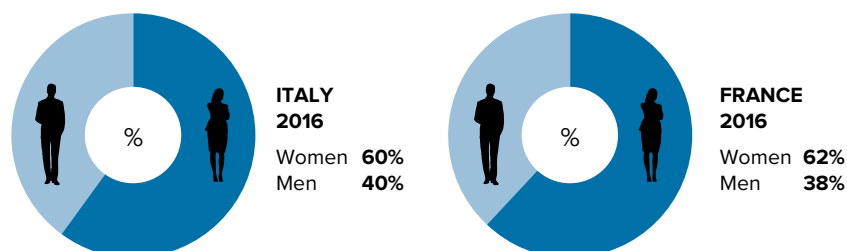
		2014		2015		2016	
Gender	Age	Number	%	Number	%	Number	%
HIRINGS							
Men	< 30 anni	7	9%	4	2%	8	11%
	30 - 50	17	23%	51	24%	15	20%
	> 50 anni	3	4%	13	6%	1	1%
Total men		27	36%	68	32%	24	32%
Women	< 30 anni	18	24%	22	10%	14	18%
	30 - 50	30	40%	110	51%	37	49%
	> 50 anni	0	0%	14	7%	1	1%
Total women		48	64%	146	68%	52	68%
TOTAL		75	100%	214	100%	76	100%
TERMINATIONS							
Men	< 30 anni	8	2%	2	1%	3	1%
	30 - 50	80	21%	55	28%	64	25%
	> 50 anni	74	19%	36	18%	19	7%
Total men		162	42%	93	47%	86	33%
Women	< 30 anni	18	5%	12	6%	14	5%
	30 - 50	110	29%	65	33%	117	45%
	> 50 anni	95	25%	27	14%	44	17%
Total women		223	58%	104	53%	175	67%
TOTAL		385	100%	197	100%	261	100%
TURNOVER RATE (LEAVING EMPLOYEES)		17.64%		8.95%		10.75%	

HIRINGS AND TERMINATIONS FRANCE

		2014		2015		2016	
Gender	Age	Number	%	Number	%	Number	%
HIRINGS							
Men	< 30 anni	3	15%	4	18%	4	15%
	30 - 50	7	35%	3	14%	3	11%
	> 50 anni	0	0%	3	14%	0	0%
Total men		10	50%	10	45%	7	26%
Women	< 30 anni	3	15%	1	5%	6	22%
	30 - 50	6	30%	11	50%	13	48%
	> 50 anni	1	5%	0	0%	1	4%
Total women		10	50%	12	55%	20	74%
TOTAL		20	100%	22	100%	27	100%
TERMINATIONS							
Men	< 30 anni	1	2%	1	1%	3	4%
	30 - 50	12	18%	13	19%	8	12%
	> 50 anni	9	14%	5	7%	7	10%
Total men		22	34%	19	28%	18	27%
Women	< 30 anni	4	6%	3	4%	1	1%
	30 - 50	24	36%	27	39%	30	45%
	> 50 anni	16	24%	20	29%	18	27%
Total women		44	66%	50	72%	49	73%
TOTAL		66	100%	69	100%	67	100%
TURNOVER RATE (LEAVING EMPLOYEES)		7.27%		8.11%		8.35%	

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



WORKFORCE ACCORDING TO AGE

2016		of which women		of which men
ITALY	Less than 30 years	2%	64%	36%
	from 30 to 50 years	68%	61%	39%
	over 50 years	30%	58%	42%
FRANCE	Less than 30 years	7%	66%	34%
	from 30 to 50 years	65%	62%	38%
	over 50 years	28%	63%	37%

WORKFORCE ACCORDING TO BUSINESS - ITALY

	2016		
	% of total	of which women	of which men
Headquarters	15%	51%	49%
Books	31%	64%	36%
Magazines	25%	67%	33%
Retail	20%	58%	42%
Digital	9%	48%	52%

WORKFORCE ACCORDING TO BUSINESS - FRANCE

	2016		
	% of total	of which women	of which men
Headquarters	25%	59%	41%
Magazines	57%	62%	38%
Digital	5%	50%	50%
Advertising	13%	75%	25%

WORKFORCE ACCORDING TO LEVEL - ITALY

	2016		
	% of total	of which women	of which men
Executives	4%	25%	75%
Middle managers	13%	53%	47%
Office workers	66%	64%	36%
Journalists	13%	70%	30%
Workers	4%	28%	72%
Total		60%	40%

WORKFORCE ACCORDING TO LEVEL - FRANCE

	2016		
	% of total	of which women	of which men
Middle managers	38%	64%	36%
Office workers	12%	76%	24%
Journalists	50%	58%	42%
Total		62%	38%

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All employees in Italy are covered by three types of collective labour agreements: graphics publishing, journalist and sales contracts.

2016 - ITALY	% of total	of which women	of which men
Graphics publishing ¹	64%	61%	39%
Journalists	12%	70%	30%
Sales	24%	52%	48%

¹ Including Industry executives

Mondadori France employees are also protected by national contracts: the two types of contracts (middle managers and office workers) offered by magazine press publishers, the journalists' con-

tract and the Nationale Syntec, the national collective contract for engineering firms, engineering and business consultancy practices and companies (applied to NaturaBuy employees).

2016 - FRANCE		% of total	of which women	of which men
Employés des Editeurs de presse Magazine		12%	78%	22%
Cadres des Editeurs de presse Magazine		37%	65%	35%
Nationale Syntec		1%	20%	80%
Journalistes		50%	58%	42%

98.5% of employee contracts in Italy are permanent. The percentage of fixed-term contracts is slightly higher in France, 4.1%: CDD (Contract Du-

ration Déterminée) are temporary 18-month contracts that can be extended up to a maximum of 36 months.

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		2016		
		% of total	of which women	of which men
ITALY	Permanent ¹	98.5%	60%	40%
	Temporary	1.5%	75%	25%
Total		2,428		
FRANCE	Permanent	95.9%	62%	38%
	Temporary	4.1%	79%	21%
Total		802		

¹ Including apprenticeships

More common in Italy, part-time contracts are in any case more prevalent among women both in Italy and France.

		2016		
		% of total	of which women	of which men
ITALY	Full-time	88%	57%	43%
	Part-time	12%	84%	16%
FRANCE	Full-time	94%	61%	39%
	Part-time	6%	83%	17%

Almost 5% of Italian employees and almost 4% of French employees enjoyed parental leave (a right granted to all employees, regardless of contract

type), the majority of whom women (96% in Italy, 86% in France).

		2016		
		Men	Women	Total
ITALY	Employees with a right to parental leave ¹	970	1,458	2,428
	Employees who have enjoyed parental leave	4	106	110
	Employees gone back to work after parental leave	3	99	102
	% of employees returning to work and retention after parental leave	75%	93%	93%
FRANCE	Employees with right to parental leave	302	500	802
	Employees who have enjoyed parental leave	4	25	29
	Employees gone back to work after parental leave	4	24	28
	% of employees returning to work and retention after parental leave	100%	96%	97%

¹ The headcounts at 31 December 2016 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

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EMPLOYEES AT RIZZOLI INTERNATIONAL PUBLICATIONS (2016)

	Women	Men	Total
<30 years	6	0	6
30-50 years	13	11	24
>50 years	8	10	18
Total	27	21	48

All employees have permanent contracts, 6 of whom part-time contracts (5 women and 1 man);

94% are office workers, executives represent 6% of the workforce.



INDUSTRIAL RELATIONS

All of the Group's companies and employees are covered by union representatives: their relations with the company are characterised by 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 2016 union relations concentrated on the integration of staff following the acquisitions: in the case of Rizzoli Libri with the definition of second-level agreements to harmonise conditions in Mondadori's trade and educational areas; in the case of Banzai Media, incorporated in the parent company, for the switch from the national sales contract to the national contract for graphics-publishing staff (from 1 January 2017).

The termination of subscription activities at Press-di Abbonamenti and the founding of Inthera, following Kiver's incorporation in Cemit, also required the definition of the necessary union agreements.

In the magazines area, the management of the ongoing state of emergency, announced in July 2015 for the following 24 months in order to manage the redundancy of 38 journalists, focused on the use of external collaborators by the editorial offices and an extraordinary incentive scheme launched in December 2016. Furthermore, in February an agreement was signed between the company and the committee of journalists, replacing the existing provisions on professional updating in second-level journalist contacts and enabling the launch of the Mondadori Journalists' Academy (see p. 75).

Per Mondadori Scienza infine è stata aperta a novembre 2016 una trattativa, alla presenza della Fi-

nally, for Mondadori Scienza negotiations began in November 2016, in the presence of the Italian Federation of Newspaper Publishers (representing publishers) and the Italian Press Federation (representing journalists), and concluded in January 2017 with the agreement of an individual incentive plan and the launch of a redundancy scheme until September 2018.

In the retail area union relations mainly regarded the application of the late 2015 agreement for the transfer of staff from the administrative office in Rimini to the Segrate site, a proposal accepted by just over 10% of employees which, for the remainder, also involved the application of an incentivised redundancy scheme.

Following the centralisation of all staff activities in the parent company, in July 2016 the existing redundancy scheme for Mondadori Retail staff at the Segrate site was suspended with the entire workforce returning to full-time work.

The closure of the Limbiate store was managed by transferring its seven employees to the other stores in the Milan area.

Finally, union agreements were finalised to manage the redevelopment of the stores in Genoa and Rome.

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.

Finally, also of note was Mondadori's role in the negotiations over the national labour contracts of graphics-publishing staff and journalists, both of which expired over a year ago and are still being discussed in an attempt to come to a suitable financial agreement that takes account of the struc-



RECRUITMENT AND DEVELOPMENT TOOLS

tural downsizing that the reference markets have undergone.

As regards industry relations at Mondadori France, in the 2014-2016 period measures were also taken to reduce staff numbers at the French affiliate: more details on the plan are provided in the following paragraph as it is inextricably linked with the staff development plan. The minimum notice period for the operational changes established by the collective labour agreements are from 1 to 2 months for journalists and office workers, and up to 3 months for executives.

In 2016 meetings with the unions focused on the renewal of the NAO (*Négociation annuelle obligatoire*), aimed at updating the remuneration and the gender equality plan, and the start of negotiations on copyright and union rights which will continue in 2017.

The Mondadori Group employs numerous professional profiles and offers opportunities to candidates with very 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.

In recent years, the process of focusing on the core businesses has been supported by the analysis of the organisational and training requirements in the different areas in which Mondadori is present.

To get to know and improve human resources, a continuous updating process of the Performance Management system was launched in 2012. Performance Management is intended to provide middle management with a performance development and guidance system that reflects the company's objectives. The system 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.

258 assessors and assessed staff were involved in the 2016 edition, already managed with a dedicated web-based platform.

The table shows the employees who have received a formal assessment of their performance in the 3-year period; the percentages shown rep-

resent the number of employees assessed in their respective categories.

	2014		2015		2016	
	Number	%	Number	%	Number	%
Executives	58	57%	41	15%	38	15%
Middle Managers	147	57%	94	33%	137	53%
Office Workers	204	14%	145	52%	83	32%
Total	409	19%	280	13%	258	11%

Total 2014: women 52% - men 48%

Total 2015: women 46% - men 54%

Total 2016: women 45% - men 55%

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The mapping of journalistic skills is another consolidated (since 2013) permanent monitoring tool. It is used to trace the professional characteristics and expertise possessed and used by Mondadori journalists. The system has made it possible to:

- improve the efficiency and organisation of the editorial teams with the more effective use of employed journalists during the recession;
- align the editorial organisational process with the multi-channel context (paper and digital);
- guide, through the analysis of training gaps compared with business requirements, the Academy of Journalists.

On the basis of previous experience, it has been extended to other professional roles with the identification of the key positions in each department and the determination of activities in relation to the content of the position.

The aims of the project are to implement a company job system, to identify resources with high development potential, and to pinpoint any training gaps to bridge in order to ensure that the expertise within the company is suitably aligned with its strategy.

Following the creation of Inthera - the new Mondadori Group company specialising in strategy, planning and the development of data driven marketing solutions that has incorporated Cemit, Kivier and the Digital Innovation area - an integration activity was required in order to engage the first level and the key persons of the new company and enable the sharing of the company vision and strategic goals, as well as the creation of an action plan of initiatives identified in terms of sustainability and cost-effectiveness.

Thanks to the results achieved with Inthera, a similar methodology was applied in support of the new organisational model introduced in the trade books sales area. This process led to the sharing of the new structure with adjacent departments and the engagement of the people involved as regards the new working methods.

In the 2014-2016 period, in order to respond to the general contraction of the magazines market (in terms of both circulation and advertising), **Mondadori France** was forced to implement a re-

structuring programme that conformed with the downturn in the sector but also guaranteed the prioritisation of the protection of internal resources: following consultations with the Business Committee of the Economic and Social Unit of Mondadori Magazines France (UES MMF), various measures were developed to prevent enforced resignations and to facilitate the internal and external mobility of the employees involved.

First of all, updating the skills of existing staff according to the evolution of the sector was fundamental. This comprised in particular of training courses in the digital sphere, such as those regarding the management of social networks or online advertising. In this sense, part of the transition towards the new business model took place by expanding editorial functions from a multimedia perspective.

As regards job mobility opportunities, strictly voluntary, a space was developed for the management of expertise-mobility. Overseen by the Human Resources Department and special external consultants, its aim is to support employees in the transfer process, whether within or outside the

company: interviews to assess skills and professional prospects, the drafting of personalised career plans, first refusal on vacancies at Mondadori and certificates attesting to the skills acquired are all tools designed to assist the worker until they take up their new role. For employees of over 55, instruments for managing the end of their careers were introduced, such as: training meetings to prepare for retirement; the possibility of part-time work under specific conditions; the possibility of taking early retirement.

As for the system for assessing staff, the following table displays the data relative to the 2014-2016 period. The data reported refer to the Annual Appreciation Assessment (AAA) which involves the participation of both the employee and the relevant manager. Moreover, since 2014 the French legislator has made it mandatory to carry out a specific professional assessment (PA) every two years. To this end, in 2015 Mondadori France complied with this legal obligation by subjecting its entire workforce to assessment. In 2016, meanwhile, 44% of employees were subject to professional assessment (PA).

	2014		2015		2016	
	Number	%	Number	%	Number	%
Middle Managers	240	71%	283	88%	175	58%
Office Workers	67	63%	84	86%	40	41%
Journalists	194	42%	357	83%	95	24%
Total	501	55%	724	85%	310	39%

REMUNERATION AND INCENTIVE SYSTEM

As well as respecting the minimum wages established by contracts, 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 Italian 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.

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In 2016 the MBO was applied to 417 employees.

In addition, for the CEO, first-level strategic executives and some executives regarded as relevant for the management of the businesses, there is a medium to long-term incentive system (LTI, Long Term Incentive plan) 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.

All Mondadori France employees and a proportion of its freelance journalists (*pigistes* that possess or are waiting to receive their *carte de presse*, that have received remuneration of at least euro 5,632 and at least three monthly salaries in the reference period) benefit from a production bonus calculated incrementally on reaching 95%, 100% or 105% of an annual budget and distributed individually according to criteria of company seniority and level.

	2014		2015		2016	
	Number	%	Number	%	Number	%
Executives	86	84%	77	84%	94	93%
Middle managers	127	50%	134	52%	170	55%
Office workers	126	9%	120	8%	133	8%
Journalists	21	7%	20	6%	20	7%
Total	360	16%	351	16%	417	17%

TRAINING

A dynamic training programme focused on quality that can be tweaked to bridge any gaps between the expertise acquired and the skills necessary to meet the company's development requirements: this was the ethos behind the courses provided for Mondadori employees in 2016. The programme involves the regular updating of content with an increasingly business-oriented focus.

Applied in 2016 to the magazine and retail areas, the **Mondadori Academy** is a versatile model that identifies the key figures in each business unit and, through permanent skills monitoring, aims to provide the necessary knowledge to plug the training gaps identified. The range of courses available is constantly expanded and rendered compatible with the preferences of employees and emerging issues in our sector with digital training courses joined by language and skills development courses. Within the next two years the **process should also be extended** for the trade books and educational areas.

AD HOC TRAINING

The value added of Mondadori is none other than the physiological translation of the know-how of its employees. In order to maintain this surplus the company strives to ensure that its employees, particularly those in key categories, have the necessary skills to face the new scenarios.

The aim of the Academy of Journalists is to stay up to speed with the **changes in the professional and publishing context**. And in doing so, generating positive economic impacts through the targeted selection of content, the centralised management of suppliers, the detailed definition of the course subscription and provision process, the monitoring of results etc. There are 20 courses available including the Digital Bootcamp, a training course on digital issues held directly at one of the most important innovation campuses, digital writing, storytelling and web marketing courses, a course on video photography using smartphones, and a magazine management course. The constant monitoring and

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Type	2014	2015	2016
Ad hoc training hours	3,268	7,500	7,858
Language training hours	6,130	1,320	2,380
Safety training hours	8,640	1,971	2,118
Total hours of training provided	18,038	10,791	12,356

N.B.: figures could include estimates

	2014	2015	2016
Participants in ad hoc training	504	385	809

review process carried out by the Academy Board makes it possible to systematically reformulate the content of the training courses.

In particular, according to the agreement between the company and the committee of journalists, the professional updating process, established by art. 45 CNLG and previously planned on a four-yearly basis, is reformulated every year through a procedure of mapping knowledge, assessments, benchmarking and the fine-tuning of the training offer. This guarantees a greater degree of consistency between the service provided and the needs of employees, as well ensuring a more accurate allocation of resources.

In 2016 **ad hoc training** involved 809 employees for a total of 7,858 hours.

In 2016 Mondadori Retail concluded, with very positive results and quality output, the **Master in Book Retail Management** held on Parma University Campus, launched in February 2015 and dedicated to the middle management, demonstrating the high levels of motivation and satisfaction of participants. Off the back of these results, in 2017 Mondadori Retail plans to organise a second cycle of training for the middle management and to introduce the first Master's dedicated to franchisees, again in collaboration with Parma University.

2016 also saw the completion of the training provided to store staff on *Back to basics* sales techniques. Structured into several modules and designed to fine-tune the skills of store staff, it focused closely on the importance of the customer and entailed diversified in-depth phases according to role (staff, department heads, store managers) and objective.

Ad hoc training	Hours 2016	Participants 2016
training to executives	271	63
Training to middle managers	495	90
Training to office workers	732	80
Training to journalists	6,360	576
Total ad hoc training	7,858	809

Hours: women 72% - men 28%; participants: women 73% - men 27%

Ad hoc training (hours/employee)	2016
Training to executives	2.68
Training to middle managers	1.60
Training to office workers	0.45
Training to journalists	21.06
Women: 3.91 - men: 2.23	

LANGUAGE COURSES

Mondadori holds foreign language courses for its employees to provide them with the linguistic skills they need to carry out their daily working activities.

TRAINING ON SAFETY IN THE WORKPLACE

In 2016 the Mondadori Group configured a computer system for the management of health and safety in the workplace in order to identify workers exposed to risks and plan the relative mandatory medical check-ups: the software, continuously updated, is used to comply with workplace hygiene and safety regulations and also makes it possible to monitor and manage aspects relating to staff training. Again using software, the internal Supervisory body can constantly monitor the company's respect for safety regulations.

In terms of training, 2016 saw the continuation of the planning (launched in 2013 for all workers) and the management, via e-learning, of the "general and specific part" of the mandatory safety training for all new Mondadori Group employees. This chosen method was possible thanks to the validation of a trial project presented at the relevant Local Health Authority.

Thanks to this course, in 2016 over 300 e-learning courses were held for new hires for the general and specific part pertaining to safety, for store supervisors, managers of the prevention and protection service and workers' safety representatives for their respective updating sessions.

During the year the periodic activities established by the Consolidated Law on Workplace Safety were planned and monitored at all Mondadori Group sites: evacuation drills, periodic meetings and inspections of workspaces together with the appointed company doctors, activities that make it possible to define the improvement actions to take to improve company safety.

The various corporate acquisitions and divestments carried out by the Mondadori Group in 2016 resulted in **ongoing verification and monitoring actions, as well as activities to ensure compliance with the company's safety standards**; personnel transferred to the Mondadori sites were immediately informed of the new references and procedures to adopt in the event of emergencies. During the inspections carried out at the acquired premises, respect for the laws in force in the area of fire prevention and safety was verified, all necessary compliance measures were taken, and the managers of the prevention and protection service and the reference persons were appointed.

Language training	Hours 2016	Participants 2016
Training to executives	930	31
Training to middle managers	90	3
Training to office workers	60	2
Total language training	1,300	26

Hours: women 60% - men 40%; participants: women 56% - men 44%

In order to respond in the best and most efficient way to the provisions of workplace safety legislation, in December 2016 the Group prevention and protection service was restructured: as well as confirming the centralised coordination of the service, its geographical structure was also reviewed, **prioritising a local site supervision approach** and uniting the references according to geographical distribution.

The list, detailed according to site, employers and all of the appointed or elected figures involved in the management of the Mondadori Group health and safety protection system, was inserted in the “Prevention and safety” area of the company intranet and is kept constantly up-to-date.

Although not a legal obligation, all employees at the Segrate site (even if not listed in the fire safety teams) had the chance, on a voluntary basis and only after completing a theory training session, to take part in a practical drill in which they put out a fire with an extinguisher, confirming the company’s prioritisation of the culture of safety.

Also at the head office, an AED (Automated External Defibrillator) was positioned close to the North Tower which can be used if needed by the nursing team or by volunteers with medical training that have made themselves available within the company.

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Training on safety in the workplace (hours)		2014		2015		2016	
Training to executives	e-learning	256	e-learning	24	e-learning	20	
Training to middle managers	e-learning	908	e-learning	44	e-learning	65	
	classroom	48	classroom	12	classroom	33	
Training to office workers	e-learning	5,324	e-learning	600	e-learning	470	
	classroom	944	classroom	946	classroom	1014	
Training to journalists	e-learning	1,124	e-learning	20	e-learning	4	
	classroom	4	classroom	9	classroom	-	
Training to workers	e-learning	32	e-learning	-	e-learning	3	
	classroom	-	classroom	316	classroom	509	
Total training hours on safety & security		8,640		1,971		2,118	
% Of total training hours provided		48%		18%		17%	
In 2016: (hours) women 47% - men 53%; (participants) women 50% - men 50%							

TRAINING AT MONDADORI FRANCE

Type (hours)	2014	2015	2016	Type (participants)	2014	2015	2016
Ad hoc training hours	8,543	5,669	6,644	Ad hoc training	739	610	568
Language training hours	558	96	246	Language training	6	3	17
Safety training hours	508	175	914	Safety training	43	11	135
Total Hours of training provided	9,609	5,940	7,804	Total participants	788	624	720
% Hours provided to women	70%	68%	69%	% Participants women	68%	70%	67%
% Hours provided to men	30%	32%	31%	% Participants men	32%	30%	33%

TRAINING BY LEVEL AND GENDER (HOURS/EMPLOYEE)

	2014	2015	2016
Middle managers	12.5	10.2	16.6
Office workers	4.5	6.2	9.2
Journalists	10.5	4.8	4.6
Women (total)	11.6	7.6	10.8
Men (total)	8.8	6.0	7.9

COMPANY WELFARE

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 health-care 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.

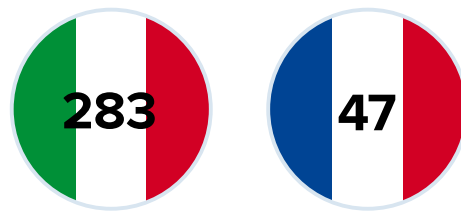
In 2016, 283 Italian employees and 47 French employees took advantage of part-time contracts. Mondadori France staff can also take advantage of an agreement for the reduction of working hours (equal to 22 days a year, only for full time staff), and additional days of leave according to seniority (including part-time staff).

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 and line 2 underground station, Rogoredo line 3 underground stop and railway station, 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

Part-time contracts 2016



Area) area, the company also signed an agreement with Trenord to offer discounted railway season tickets (light railway and regional railway lines).

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

Supplementary health insurance coverage

Supplementary health insurance coverage is a benefit offered as an option to employees (of Arnoldo Mondadori Editore S.p.A. and Mondadori Pubblicità, 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.

The Mondadori France supplementary health insurance plan includes the children of employees free of charge. Against the payment of a voluntary contribution it is also possible to include spouses (for full-time and part-time employees).

Health service

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 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 Avis blood donor day).

Type	2014	2015	2016
Blood tests	275	318	285
Medical check-ups	346	383	440
Eye tests	46	43	38
Pap tests	218	212	202

Employees and contract workers at the Mondadori France head office also have a nursing and social welfare service. In 2016 a “wellbeing campaign” was launched with the activation of numerous workshops (sophrology, massages, yoga and others).

Tax assistance

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

Agevolazioni su prodotti e convenzioni commerciali

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.

Company social club

Cral Mondadori is a not-for-profit association set up by the parent company in accordance with art. 18 of the Italian Constitution, art. 36 – 37 – 38 of the Civil Code and art. 11 of the Statute of Workers' Rights. All employees, former employees and their families can be members of Cral Mondadori. At 31 December 2016 the club had 460 members, as certified by FITeL (the Italian Leisure Time Federation).

As established by the articles of association (regularly registered at the Milan Inland Revenue Agency), the association is democratically managed through the Management Board.

As well as its traditional activities, in 2016 Cral Mondadori was also involved in a number of social initiatives, such as: the purchase of culinary products from companies in the areas affected by the earthquake; support for the CELIM Association, contributing to the distribution of humanitarian kits for a number of Syrian families resident in the refugee camps of Dbayeh in Lebanon; hosting social cooperative Opera in fiore, promoter of artisan workshops in prisons.



INTERNAL COMMUNICATIONS

Among other things, the Communications and Media Relations Department is responsible for internal communications. Aside from purely operational factors, the involvement of Group personnel helps to provide an overview of the company and its development, as well as strengthen our people's sense of belonging.

The main instrument used is the company intranet, through which employees can find out about internal developments and access company information and services.

A weekly newsletter is sent to all staff containing links to the latest posts on the intranet or related product sites. The newsletter makes it possible to get instant feedback on the preferences of users in

terms of the most clicked news, providing information that can be used for the greater engagement of employees: in 2016 the average opening rate was 49.7%. The arrival of new colleagues from Rizzoli and Banzai was greeted with two welcome messages on the company intranet, one in April for Rizzoli and one in July for Banzai. The most clicked news items of the year were the kick off of the #NoiDellaMondadori operation on Instagram (see p. 25) and the welcoming of the colleagues from Rizzoli.

The CEO uses the Intranet, emails to all employees in Italy and abroad and, since Christmas 2016, video messages to share the Group's economic and financial results with all employees and collaborators.





D'AVENIA EXPLORES LEOPARDI FOR THE YOUTH OF TODAY: L'ARTE DI ESSERE FRAGILI

A passionate professor that manages to inspire the young, a reviewer that shakes up Leopardi's cosmic pessimism, and an interpreter of his works in Italian theatres: Alessandro D'Avenia, author of *L'arte di essere fragili* (Mondadori), is all this and more. The anxieties of adolescence, graduating from high school and learning to have faith in oneself, through the art of "repairing life": these are the underlying themes of the book, a new rereading of the thoughts of Leopardi which the author uses as the common denominator of the internal growth process.

Perhaps it was his empathetic connection with adolescents and his desire to teach them about life that led D'Avenia to transform his book into a free theatre tour that engages the reader in person.

Directed by Gabriele Vacis with lights and sound by Roberto Tarasco, the author adopts his day-to-day role of a lecturer who revisits *Zibaldone*, *La Gin-*

estra and *L'Infinito* to praise Leopardi's courage in acknowledging the most nostalgic and vulnerable side to the human character as only by embracing this weakness can we see the beauty of immensity. The pupils of an open air class, on the stage and sitting in seats, listen, absorb, sometimes interact and are part of the show itself.

D'Avenia brings the reflections of the poet from Recanati into the present day and uses them to answer the questions of the young students; and it is their understanding of the infinite, summarised in a photo, that dominates the 10,000 photos taken during the Instagram competition *#lartediessereininfinito*.

The three stages of the tour in 2016 – at the Carcano theatre of Milan, at the Biondo in Palermo and at the Coliseum in Turin – sold out almost as soon as the tickets went on sale with over 3,000 spectators in attendance. A successful tour that will continue in 2017, visiting Verona, Bologna, Genoa, Bari, Naples, Reggio Emilia, Rome and other destinations.

To complete his unique communicative paradigm, the author also shot a short film in association with the *Cric* group and with the support of Mondadori, involving 150 readers in the shooting of the main scene.



see pictures on p. 60





Design ideas for man and the environment at FuoriSalone 2016.

Read more on p. 107

THE INFORMED USE OF NATURAL RESOURCES

Responsible
management of
paper products

The raw material: the
paper used to print
editorial products

Logistics and the
end of life of editorial
products

Combating
climate
change

Initiatives to reduce
environmental
impact

MyEquilibria:
when fitness
meets design



RESPONSIBLE MANAGEMENT OF PAPER PRODUCTS

For a publishing group like Mondadori, paper consumption and all activities connected with the life cycle of paper products play an important role when assessing its environmental impact, particularly when you consider that the company has strategically focused on the books and magazines businesses in recent years.

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 editorial products, two activities with important and diversified environmental impacts that are increasingly attracting the attention of Mondadori's customers and, in general, its stakeholders.

THE LIFE CYCLE OF PAPER PRODUCTS

The first phase of the life cycle of the paper product is the paper production process, described in the graphic on p. 87, which is carried out exclusively by paper mills. The paper mill product is then sent to the graphics company, which prints it, and then transported to warehouses where it is stored before being shipped, through specifically designed logistics systems, to distributors and final users (these aspects are illustrated in detail in the following section).

When a book/magazine has reached a reader, the life cycle of the paper product 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);
- waste paper is collected and recycled, thus becoming a valuable raw material that can be re-used in paper mills (pulp);
- it is disposed of together with unseparated waste.

The process is summarised in the diagram on p. 88.

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).

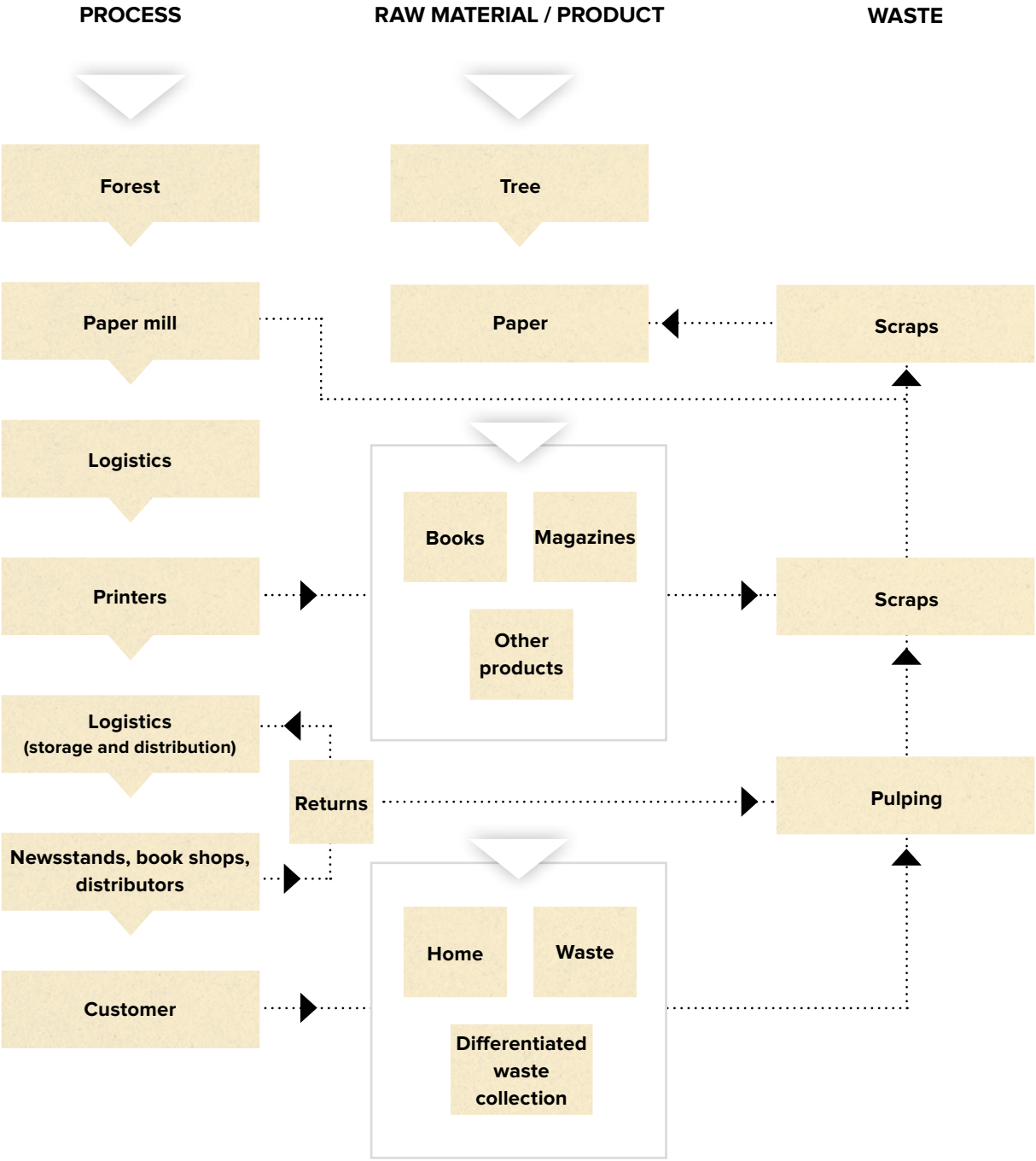
Drying and spooling

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

PAPER

**PAPER
SUPPLY CHAIN**

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THE RAW MATERIAL: THE PAPER USED TO PRINT EDITORIAL PRODUCTS

As regards Italy, in the last two years, in accordance with a procurement policy introduced in 2014, the purchasing of paper has been managed directly by Mondadori: this has enabled the company to consolidate its commitment to streamlining the amount of paper used to print its products and to exert greater control over the supplier selection process in order to ensure that supplier practices are consistent with the Group's sustainability principles. In fact, the supplier selection criteria demands that the paper be certified according to the two biggest global certification systems, the FSC and the PEFC (see box on p. 91), in line with the commitment that the company made some years ago to gradually increase its percentage of certified paper, in response to the Greenpeace initiative launched in 2010 encouraging the Italian paper industry to protect primary forests.

In 2016 the total amount of paper consumed for the printing of Mondadori editorial products (books, magazines and other publications, such as school-books and direct marketing, excluding Rizzoli) came to around 60,754 tonnes (down 12% against 2015 and 23% against 2014). The growth trend in the consumption of certified paper continued in 2016, accounting for almost all paper used (99.9%), while consumption of traditional paper (not certified) fell from 1,554 tonnes in 2015 to just 23 tonnes in 2016. As regards Inthera, all of the paper it consumes is FSC-certified.

The Rizzoli publications, which became part of the scope of consolidation in 2016, consumed around 18,300 tonnes of paper, around 86.4% of which certified paper.

The table outlines the paper consumption figures by type (certified, traditional and recycled) for the 2014-2016 period.

TOTAL PRINTING PAPER – ITALY (tonnes)

Paper consumption (tonnes)	2014		2015 ¹		2016			
	AME	%	AME	%	AME	%	Rizzoli	%
Certified paper	58,641	74.3%	67,055	97.6%	60,684	99.9%	15,800	86.4%
Recycled paper	170	0.2%	63	0.1%	46	0.1%	-	0.0%
Traditional paper	20,095	25.5%	1,554	2.3%	23	0.0%	2,492	13.6%
Total	78,906		68,673		60,754		18,293	

¹ The data on certified paper consumption in 2015 differ from the data published in the 2015 Sustainability Report as a result of the inclusion of data that became available after the Report was published [G4-22]

In France, the “Eco-contribution” tax (see box below) represents another incentive for promoting the collection and recycling of paper waste. The application of this tax according to proportional criteria persuades publishers, including Mondadori France, to purchase their paper from paper mills located close to their production sites, to use paper containing more than 25% recycled fibres and to implement strategies that favour the recycling process.

In recent years Mondadori France has been strongly committed to reducing its environmental impact connected with the use of paper material, promoting the development of commercial relations with PEFC, FSC and ISO 14001 certified print shops. Indeed, Mondadori France now procures certified paper exclusively from paper mills located in Europe (mainly Sweden, Norway, Finland, Germany, Austria, Italy and France) and with PEFC and FSC certification (see box on page 91). In addition, since 2011 Mondadori France has been PEFC certified and every year it undergoes an audit by an external body to ensure that the company satisfies the requisites established by the organisation.

THE ECO-CONTRIBUTION OF ECOFOLIO

Ecofolio is a private body that operates in France with a mission of public interest: to optimise the management of the paper product lifecycle, transforming the risks of the companies involved into opportunities to create value for society.

On the initiative of paper manufacturers, Ecofolio developed a taxation proposal that implements the principle of the extended responsibility of the producer, which was subsequently authorised and supported by the French government. The Eco-contribution is a tax levied on any party, public or private, that releases at least 5 tonnes of paper onto the market a year (whether letters, fliers, catalogues or other products). Organisations that do not declare the amount of paper waste they have produced, or that under-report the figure, are liable to pay an administrative fine of as much as euro 7,500 per tonne.

The tax, which in 2015 was fixed at euro 54 per tonne of paper waste produced, primarily makes it possible to:

- finance the collection of paper produced by the public;
- incentivise the recycling of paper;
- promote the R&D of eco-design solutions and models aimed at optimising production chains.

In fact, the amount of tax increases or decreases according to the efficiency and environmental impact reduction choices that the organisation makes with regard to purchasing processes, planning and printing, on the basis of a taxation principle that follows an “eco-differentiated” scale.

TOTAL PRINTING PAPER – FRANCE (tonnes)

Consumi di carta certificata (ton)						
Type	2014	%	2015	%	2016	%
Recycled certified paper ¹	30,611	57.1%	18,374	38.0%	14,158	30.9%
Classic certified paper	22,984	42.9%	29,976	62.0%	31,681	69.1%
Total	53,595		48,350		45,839	

¹ This category includes all certified paper, not traditional paper, containing any percentage of recycled paper

In the last three years Mondadori France's paper consumption has fallen by 14.5%, going from 53,595 tonnes in 2014 to 45,839 tonnes in 2016. This result was achieved mainly thanks to the ac-

tions implemented by the company (the change to the format of the magazines and the reduction in the weight of the paper) to reduce the amount of paper consumed per printed copy.

PEFC AND FSC

The Programme for Endorsement of Forest Certification schemes (PEFC) is a certification system for the sustainable management of forests. The PEFC is an international initiative based on a broad agreement between interested parties on the implementation of sustainable forest management at national and regional level. Representatives of forest owners, end consumers, users, freelance workers and the wood and crafts industries participate in the development of the PEFC. Its goals include that of improving the image of forestry and the forest-wood production chain, providing a market tool that makes it possible to market wood and products originating from sustainably managed woods and sites.

The PEFC system certifies:

- the sustainability of the management of forests;
- the traceability of marketed and transformed wood and paper products that come from PEFC certified forests.

The Forest Stewardship Council (FSC) is an international not for profit NGO.

The FSC is a forest certification system recognised at international level.

The certification aims to guarantee correct forest management and the traceability of related products. The FSC logo guarantees that the product was made using raw materials from woods correctly managed according to the principles of the two main standards: forest management and chain of custody. The FSC certification programme is an independent third-party scheme.

In fact, the inspections are carried out by 17 certification bodies across the world. These bodies are in turn accredited by ASI (Accreditation Service International). One of the main activities of the FSC is the drafting of standards which are adapted at local level from national initiatives.



LOGISTICS AND THE END OF LIFE OF EDITORIAL PRODUCTS

The Mondadori Group's distribution logistics take the form of a series of overlapping networks that cover all of Italy and France 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.

In addition, the logistics sector also uses packaging materials (pallets, film, adhesive tape etc.), the consumption of which is outlined in the section *Other figures* (pp. 114-115).

MAGAZINES - ITALY

The logistics of the Magazines area is managed by Press-di Distribuzione Stampa e Multimedia S.r.l., a fully-owned subsidiary of Mondadori, which manages the distribution of Mondadori 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 (88%) and subscriptions (12%), in 2016 the overall weight transported was around 70,000 tonnes, entirely on the road (with the additional use of sea transport with roll-on/roll-off ships for transportation to the islands).

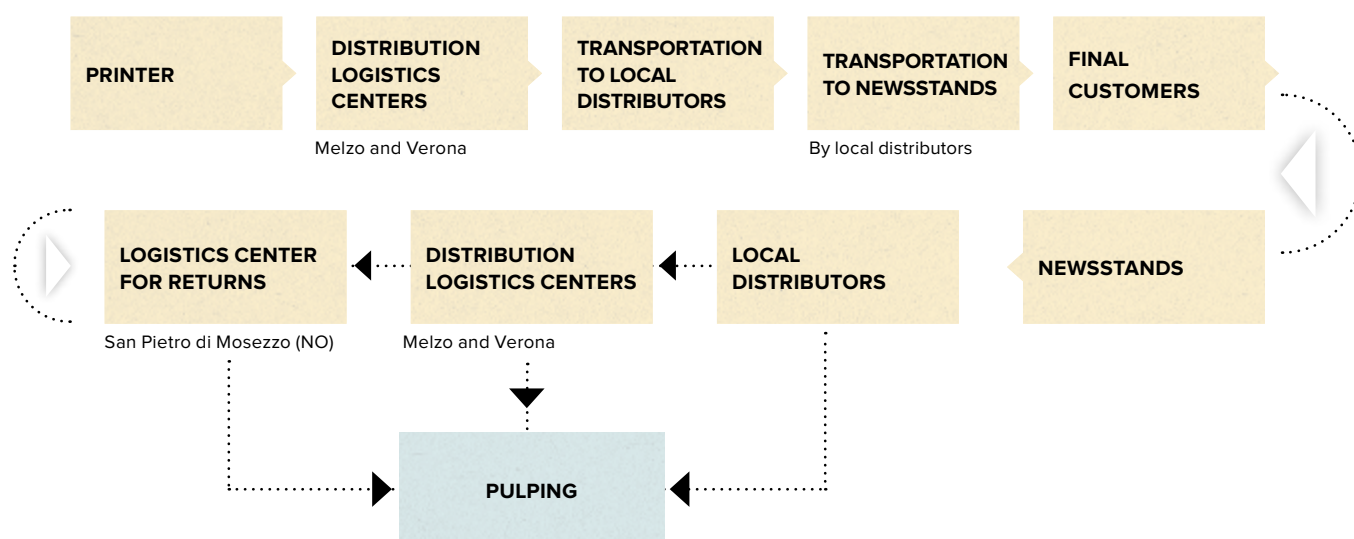
The magazines logistics process in Italy involves four steps:

- film wrapping and shipment preparation: in 2016 this process was applied to approximately 65 million copies, for which around 274 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 and Verona) and extends to local distributors (approx. 74 private enterprises in 2016);
- 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;
- 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.

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.

NEWSPAPERS AND MAGAZINES LOGISTICS



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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).

The following table reports the estimated CO₂ emissions deriving from the transport of the magazines from the distribution logistics centres of Verona and Melzo to local distributors in the three-year period 2014-2016. In 2016 these emissions fell by 9% compared with 2014, going from 6823 tonnes to 6235 tonnes of CO₂.

CO₂ EMISSIONS FROM PRIMARY TRANSPORT

Unit of measurement	2014	2015	2016
t CO ₂	6,823	6,428	6,235

As regards the management of the end of life of magazines, 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. However, the crisis affecting the printed paper trade (fall in circulation and advertising) and its impact downstream on intermediate parties (local distributors and newsstands) has,

over the years, led to both a reduction in returns and in the total number of local distributors and those that guarantee certified returns.

In 2016 local pulping came to 20,992 tonnes for magazines and 10,131 tonnes for dailies (up 16% and down 11% respectively compared with 2015). Currently, out of the 74 local distributors used by Press-di, 65 guarantee certified returns (as opposed to 68 out of 80 last year).

The printing, binding and distribution activities connected with the magazines of Mondadori France (around 200 million copies in 2016) are entrusted to external suppliers located in Europe (70% of volumes are sourced out to French companies, 20% to Italian companies and the rest to European companies).

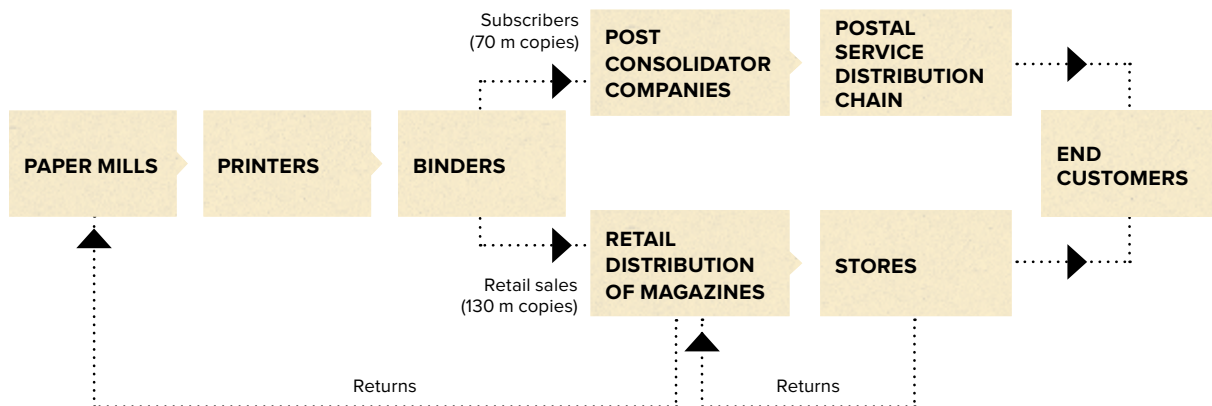
Unlike in Italy, the sale of magazines via subscriptions represents a significant chunk of the business: in fact, as regards 2016, the 130 million copies distributed through newsstands are joined by another 70 million copies distributed by post.

CERTIFIED RETURNS

The certified return of publications is a way of handling returns by local distributors through the certification of quantities and, at the same time, the pulping of copies. The returns process consists of the following activities: receipt of returns, counting of the copies received, computer processing of the results of the count, accounting of the results of the count, destruction of the product. The certified return process therefore involves:

- the consolidation of pulped returns (unsold products) by publication/issue/copy, directly at the local distributor, in this way solving the issue of physical returns to the warehouse;
- a reduction in the transportation cost of returns to the warehouse.

MAGAZINES – MONDADORI FRANCE



In line with the requirements of the “Eco-Contribution”, over the years Mondadori France has pledged to:

- reduce the number of handovers between printing, binding and distribution suppliers;
- contain the amount of waste generated along the production line;
- to concentrate, where possible, all operations at a single site in order to reduce or eliminate the use of packaging materials (such as pallets, stretch film, retractable film) and intermediate transport phases. These measures have made it possible to optimise the use of pallets and boxes for copies destined for retail sales and subscriptions, resulting in a reduction in the use of pallets of around 11% and a 20% drop in the use of boxes and packaging materials in the 2014-16 period.

Newsstand sales

The distribution of magazines to newsstands is entrusted to two companies and mainly carried out using road transport.

The logistics process comprises four main phases:

- the companies that print and bind the magazines send the packaged copies to the main distribution centres (3.5 million boxes were transported in 2016 and 37,800 pallets used);
- the copies are transported from the main distribution centres to the 69 local warehouses distributed across the country;
- from the warehouses the copies are delivered to around 25,000 points of sale (around 130 million copies were distributed to newsstands in 2016);
- local distributors recover unsold copies from the newsstands, which are taken to the warehouses and then resold to companies that recover and collect waste so they can finally be reused as raw materials at paper mills for the production of recycled paper.

The majority of the wooden pallets used for distribution activities are recovered from warehouses at the end of the distribution chain and returned to the printers and binders. On average, pallets can be reused 3-5 times before having to be repaired or replaced.

Subscription sales

The distribution of subscription copies is outsourced to France’s main postal system operator, *La Poste*, which distributes the products directly to the homes of subscribers. Before arriving at *La Poste*’s main distribution centres, the copies are readied for delivery by three post consolidator companies: here, each copy is covered with a film indicating the address of the consignee and placed in reusable plastic boxes that are delivered to *La Poste*. Once emptied of their content, the plastic boxes, supplied by *La Poste*, are recovered from the main collection centres in the Paris area. Finally, the delivery of the magazines to subscribers is guaranteed by a network of around 70,000 couriers.

TRADE BOOKS

The Verona logistics centre is responsible for trade book (Mondadori Libri) 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 recent years it has started laying the foundations for a better understanding of the environmental impact of sup-

plier 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 books by Mondadori and Sperling & Kuper, i.e. the publishers with the highest levels of returns, where returns are recorded and pulped on a monthly basis.

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.

As regards Rizzoli Libri publications, the logistics are entrusted to logistics hub City of Books of Stradella (province of Pavia) and completely managed by an external supplier.

EDUCATIONAL / SCHOOL BOOKS

In 2016 Mondadori Education distributed around 6.3 million textbooks and teachers' guides, down compared with the 6.7 million copies distributed in 2015.

In 2016 the distribution activities relating to all Mondadori Education products took place at the Verona logistics centre. An activity consistent with the measures first launched by the Mondadori Group in 2013 with the complete integration of the logistical management of secondary school books at the Verona logistics centre, which made it possible to carry out 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

BOOK RETURNS

Type	2014	2015 ¹	2016 ¹
Copies	12,510,000	11,900,000	10,163,000
Packages	405,000	380,000	325,000
Shipments	43,000	40,900	35,000

¹ The data relating to the number of packages and shipments in 2015 and 2016 are estimates

in charge of shipping the books from the central warehouse 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 pp. 51-52), which may lead to a 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 20 destinations. In addition, starting in September, when the school year starts, the promoters are supplied with books and guides to deliver to teachers for classroom trials;
- as well as making shipments to decentralised distribution centres, the central warehouse in Verona directly supplies some top accounts and approximately 800 bookshops with university texts and L2 books (Italian as a foreign language).

Though returns are less frequent for school texts, total returns in this segment came to approximately 885,200 copies in 2016.

The distribution processes adopted by the Rizzoli school books sector are similar to those of Mondadori Education, with the exception of the logistics centres: a central warehouse (City of books in Stradella) and 8 other regional distributors (Padua, Turin, Bologna, Rome, Naples, Bari, Cosenza and Palermo).

As for the number of copies transported, over 8 million copies were distributed in 2016 while returns amounted to 1.6 million (both figures refer both to sale copies and classroom trial copies).

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 book club business support processes have taken 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

As regards the products purchased at 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.

As for products purchased via Mondadori France's e-commerce channels, the logistics are outsourced to a third-party company specialising in remote sales whose central warehouse is in Northern France. From here the products are distributed across the country by five other distribution companies, which deliver the product directly to the end customer.

COMBATING CLIMATE CHANGE

THE GREENHOUSE EFFECT

Greenhouse gases are responsible for the increase of the greenhouse effect and, as such, global warming (more broadly known as “climate change”). The main greenhouse gas is carbon dioxide (CO₂), which is responsible for around 80% of global warming. The other main gases are methane (CH₄), nitrous oxide (N₂O), perfluorinated compounds (PFCS), hydrofluorocarbons (HFCS) and sulphur hexafluoride (SF₆). Greenhouse gases are emitted into the atmosphere mainly as a result of the combustion, and above all the use, of fossil fuels. Greenhouse gas emissions are conventionally measured in tonnes of CO₂ equivalent: the quantities of the other gases emitted are transformed into this unit of measurement using special conversion factors.

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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 is directly involved in combating climate change: the reduction of climate changing emissions is one of the cornerstones of the Group's environmental policy published in 2012. In addition, the updating of the materiality analysis conducted in 2016 (see paragraph Material issues, pp. 36-39) confirms how Mondadori and its stakeholders focus a great deal of attention on climate change issues.

As regards the activities that Mondadori carries out in Italy, the greenhouse gas emissions considered within the reporting scope of the GHG survey are as follows:

- direct (scope 1): heating of offices, stores and warehouses with natural gas and emissions from leaks of refrigerant gases from air conditioning units;
- indirect energy (scope 2): electricity purchased from the national grid;
- other indirect emissions (scope 3): employee travel for business reasons by plane, train, company cars and hire cars; paper production.

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, currently these emissions are only partially recorded (see table on p. 93) and may be explored more thoroughly in the next few years.

The majority of the buildings and stores considered in the scope of the Sustainability Report are heated through the use of natural gas. A few buildings represent an exception because they are heated by electricity-fuelled 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 *Other figures* p. 113 for more details).

ITALY

Greenhouse gas emissions (tonnes CO ₂)	2014 ²	2015 ²	2016
Direct (scope 1) ³	1,232	1,002	1,082
Indirect energy (scope 2) ¹	6,846	6,275	6,249
Other indirect emissions (scope 3) ¹	35,355	30,748	35,372
- Emissions related to paper production	33,930	29,529	33,990
- Emissions related to business trips	1,425	1,219	1,382
Total emissions	43,434	38,025	42,702

¹ The 2014 and 2015 indirect energy emission values (scope 2) and other indirect emission values (scope 3) were re-calculated with respect to the 2015 Sustainability Report following the updating of the emissions factors available for calculation [G4-22]

² For 2015 and 2014, the indirect energy emission values (scope 2) and those related to business travel (scope 3) were recalculated excluding Monradio [G4-22]

³ For 2016, the CO₂ emissions connected with leaks of refrigerant gases from air conditioning units were estimated as being equal to those calculated for 2014 because it was decided that, as part of a conservative approach, the highest value from among those available would be used (2014)

The upward trend as regards direct emissions is connected with two main factors:

- the availability of more detailed final data on the sales network;
- the introduction to the reporting scope of the head offices and stores of Rizzoli Libri and Banzai Media Holding.

The electricity that Mondadori consumes in Italy (see *Other figures* p. 113 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).

The introduction of the head offices and stores of Rizzoli Libri and Banzai Media Holding to the reporting scope is also the main reason behind the increase in emissions connected with electricity consumption (indirect energy emissions) between 2015 and 2016. In fact, in general consumption levels at other sites/stores have fallen mainly due to the energy saving measures carried out during the year.

The upwards trend in other indirect emissions (scope 3) is mainly connected with the changes to the reporting scope (acquisition of Rizzoli Libri and Banzai Media Holding). As illustrated in the table on p. 89, in fact, in the last three years there has been a fall in the consumption of paper used for the printing of the editorial brands (excluding the Rizzoli brands), from 78,906 tonnes in 2014 to 60,754 tonnes in 2016.

As regards the emissions deriving from employee business trips, there was an increase in emissions mainly due to the inclusion of the data relating to the newly-acquired companies (see paragraph *business travel-Italy*, pp. 105-106).

As regards the activities that Mondadori carries out in France, the greenhouse gas emissions considered within the reporting scope of the GHG survey are as follows:

- direct (scope 1): emissions from leaks of refrigerant gases from air conditioning units;
- indirect energy (scope 2): electricity purchased from the national grid;
- other indirect emissions (scope 3): employee travel for business reasons by plane, company cars and hire cars; paper production.

Direct emissions are exclusively connected with leaks of refrigerant gas from air conditioning units: no gas leaks were recorded in either 2014 or 2015 but in 2016 it was necessary to recharge the conditioners in the French sites with a total of 116 kg of refrigerant gas, the equivalent of 246 tonnes of CO₂.

As regards indirect emissions from energy consumption, Mondadori France uses electricity both for the heating and lighting of its buildings. The reduction in CO₂ emissions recorded in 2016 (117 tonnes) compared with those of 2015 (118 tonnes) can mainly be attributed to the measures taken from 2015 to reduce electricity consumption (cf. paragraph *Measures to reduce environmental impact – France*, pp. 104-105).

Finally, as for the other indirect emissions (scope 3), the downwards trend registered in recent years is mainly due to the reduction in the consumption of printing paper, which has fallen from around 53,600 tonnes in 2014 to around 45,800 tonnes in 2016, corresponding to a 14% reduction in CO₂ emissions (which have gone from 23,046 in 2014 to 19,711 tonnes of CO₂ in 2016). Completing this analysis, there has also been a reduction in emissions connected with business trips, which have fallen from 258 tonnes of CO₂ in 2014 to 183 in 2016.

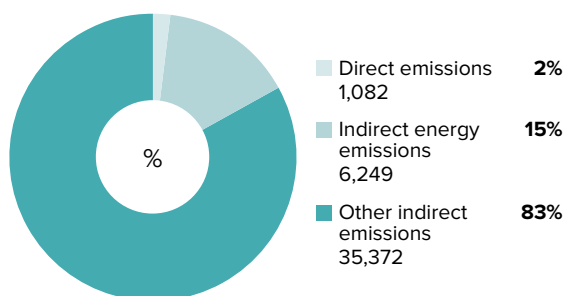
FRANCE

Greenhouse gas emissions (tonnes CO ₂)	2014	2015	2016
Direct (scope 1)	-	-	246
Indirect energy (scope 2)	103	118	117
Other indirect emissions (scope 3)	23,304	21,010	19,894
- Emissions related to paper production	23,046	20,790	19,711
- Emissions Related To Business Trips ¹	258	220	183
Total emissions	23,407	21,128	20,257

¹ For the years 2014 and 2015 the CO₂ emissions related to business trips made by plane were estimated as being the same as those calculated for 2016, the only year for which data are available. As regards company cars, CO₂ consumption in 2014 was estimated as being equal to that of 2015 as, with the data for 2014 not available, it was decided that, as part of a conservative approach, the highest value from among those available would be used (2015)

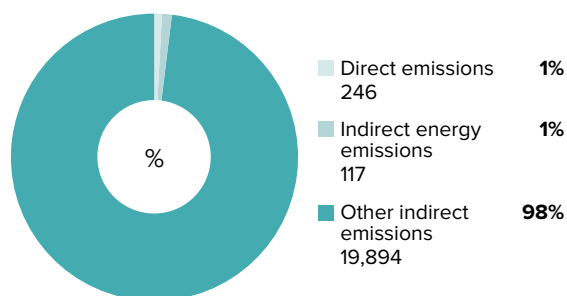
GREENHOUSE GAS EMISSIONS IN 2016 - ITALY

(tonnes of CO₂ equivalent)



GREENHOUSE GAS EMISSIONS IN 2016 - FRANCE

(tonnes of CO₂ equivalent)



The **Mondadori Group's overall emissions in 2016**, equal to almost 63,000 tonnes of CO₂ equivalent, correspond to the emissions generated by about 53,300 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 internal awareness about possible

policies for the reduction of the greenhouse gases generated by its activities. In this regard the Group has already launched a number of projects to mitigate its emissions, both in 2016 and in the past, such as, for instance, the implementation of energy efficiency measures in buildings, the reduction of printing paper consumption, and the updating of the car fleet with lower emission models (see paragraph *Initiatives to reduce environmental impact*, p. 102).

INITIATIVES TO REDUCE ENVIRONMENTAL IMPACT

PAPER AND SUSTAINABILITY

In response to the requirements of the “Eco-contribution”, in recent years Mondadori France has undertaken a number of actions to alter the format and weight of its magazine paper. In the last three

years, these measures have enabled it to make a 4% reduction in the average amount of paper consumed per copy, going from 239 grams in 2014 to 229 grams in 2016.

Mondadori France	Unit of measurement	2014	2015	2016
Total circulation	No. copies	224,000,000	211,000,000	200,000,000
Paper consumed	tonne	53,594	48,350	45,839
Average paper consumption per copy produced	g	239	229	229

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MEASURES TO REDUCE ENVIRONMENTAL IMPACT AT SITES AND IN BOOKSHOPS

Energy saving activities carried out in 2016 - Italy

As in 2015, plenty of attention was focused on the issue of energy savings in 2016; more specifically, measures were taken at the Segrate site and in some Mondadori bookshops.

Some of the measures described below were carried out in 2016; as such, their benefits will be tangible in 2017. Other activities are taking place or are currently at an advanced evaluation stage, and will be concluded in the next few years in order to continue along the virtuous path undertaken.



OFFICES

Segrate

- the Air Ventilation Unit in the training classrooms, which had become obsolete, was replaced with a geothermal system with heat recuperators used on external air. In addition, with the installation of the new system the inefficient electric heat barriers at the North entrance were replaced with direct expansion units. The new system has a remote management system and permits annual savings of around 16,000 m³ of gas and 15,000 kWh_{el}, at the same time guaranteeing excellent flexibility of use and a significant reduction in noise pollution.
- the upgrading of the control and management system software continued and aims to reduce the amounts of external air treated when employees are not present in the office, to accelerate full operation in the rooms and to optimise start-ups. Activities in 2016 concentrated on the automation of the building's thermal requirements in relation to external conditions, the number of employees present in the building and the great-

er splitting of the treated areas. The estimated annual savings made amounted to approximately 15,000 m³ of gas and 15,000 kWh_{el}.

- in the period between February and May 2016 the fluorescent tubes were replaced with new luminous LED sources. More specifically, around 5000 fluorescent bulbs, the majority with an output of 58 W, were removed and replaced with LED technology tubes which have similar lighting performances but reduce consumption by 50%. This measure made it possible to cut consumption by 450,000 kWh_{el} a year, the equivalent of the entire building's electricity consumption during a winter month.

Cascina Tregarezzo

- a geothermal heat pump was installed for the production of hot water in the summer. This measure allows for estimated annual energy savings of around 10,000 m³ of gas and 7000 kWh_{el} and guarantees greater flexibility of use of the system with a summer switch-off.



BOOKSHOPS

Fiumicino

- in order to upgrade the existing system, now obsolete, a new fourth-generation VRV inverter technology system was installed which has substantially improved environmental conditions, with benefits for the business and in terms of flexibility of use, enabling annual savings of around 30,000 kWh_{el}.

Marcianise and Torino

- remote control and management systems were installed with settings designed to provide energy savings estimated at around 10% of the energy consumed by air conditioning activities.

Varese

- replacement of part of the air conditioning system in the entrance area and consequent substitution of the electric heat barrier at the entrance with a direct expansion unit. The system has a remote management system and permits estimated annual savings of around 10,000 kWh_{el}.

New Arese and Genoa Bookshops

- installation of high energy efficiency systems with fourth-generation VRV inverter technology, heat recuperators used on external air and remote management and control system.

Energy saving activities planned for 2017 - Italy



OFFICES

Segrate

- the work to split the inductor system of the main building through the sectioning of hydraulic distribution into four macro areas per floor, managed by temperature sets, and the installation of inverters on the hot and cold inductor pumps, is currently at the request for quotations phase. The aim of this measure is to obtain energy savings in view of the notable flexibility of the system, which will also make it possible to use each floor for a different purpose.
- a system for the management of CAV boxes in the offices on the fifth floor is currently at the request for quotations phase. The aim of the measure is to achieve energy savings, greater system flexibility and enable automated adjustment activities.
- the installation of a system to manage CAV boxes on the "Foglia" floor, as a conclusion to the one

developed some years ago in the “Sottofoglia”, is at the design stage. The aim of the measure is to achieve greater energy savings, greater system flexibility and enable automated adjustment activities.

- the installation of an inverter on well pumps to reduce water and electricity consumption during the night and the winter is at the design stage.
- the replacement of the external lighting system at Palazzo Niemeyer with new LED lights is currently taking place.



BOOKSHOPS

- a project to redevelop the systems of the Milan Marghera, Varese and Florence bookshops and to introduce remote management and adjustment systems in the Milan Galleria Vittorio Emanuele, Casalecchio and Duomo bookshops is at the design stage.



WASTE MANAGEMENT

- with the goal of optimising and guaranteeing the consistency of the waste management process in accordance with the laws in force, in 2016 Mondadori Italia approved a procedure consisting of four phases:
 - the *classification of waste*: this phase involves the identification of the EWC (European Waste Catalogue) code, which corresponds to each category of waste treated, through the filling out and updating of the “Waste description” form;
 - the *management of collection points*: waste is disposed of at specific collection sites according to type;

- *transfer to transporter*: this phase involves the management and coordination of transport at authorised disposal sites;
- filling out of the Environmental Declaration Form.

2016 also saw the approval of a procedure designed to streamline the management process of some underground waste tanks in order to exercise greater control over their correct maintenance. The process consists of two phases:

- the census of the tanks, which mainly involves locating the tanks and describing their main technical features;
- the planning of maintenance and monitoring activities according to the installation date and condition of the underground tanks.

Measures to reduce environmental impact - France

As regards the environmental impact connected with the French site, Mondadori France employs the services of a third-party company which is tasked with monitoring the main goals the company sets itself in terms of electricity consumption and waste management.

In particular, following the obligations stemming from the 2014 European Directive on energy efficiency, in 2015 Mondadori France introduced a series of actions aimed at improving the energy performances of its offices and warehouse, i.e.:

- the planned closure of offices (car park included) at night, between midnight and 6 a.m. (as well as on Sundays and public holidays), and the automatic switching off of the lights at 8 p.m., unless there are still employees present in the building;
- in the Trait-d'Union building, the temperature is managed by a central heating and air conditioning system equipped with the most advanced

domotics technologies. The automated system prevents energy wastage and offers the limited possibility of manually regulating the temperature, ventilation speed and lighting using remote controls distributed in common areas. The system automatically comes on line when it detects the presence of employees in common spaces and automatically switches off when the space has not been used for 30 minutes. The temperature can be adjusted manually up to 3°C higher or lower than the set standard temperature. Lighting and ventilation speed can also be adjusted manually.

Finally, to promote recycling in the offices, special temporary paper bins have been provided for each desk so that paper waste can be transferred at a later stage to the main paper recycling bin that is located on every floor in the printing area and emptied once a week. Similarly, a number of specific bins are found on various floors for the collection of used batteries and printer ink cartridges. These are emptied once a month.

BUSINESS TRAVEL - ITALY

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.

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

MONDADORI FLEET - ITALY

Type	2014 ¹	2015 ¹	2016
Owned vehicles	15	8	8
Leased vehicles	143	109	142
Total	158	117	150

¹ The 2014 and 2015 data differ from those reported in the 2015 Mondadori Group Sustainability Report as the calculation was updated following the departure of Monradio from the reporting scope [G4-22]

In the last year the company fleet grew from 117 vehicles to 150 following the acquisition of Rizzoli Libri and Banzai Media Holding, which account for 35 of the 142 leased vehicles. The number of company-owned vehicles compared with 2015 (8 cars) remained unchanged, meanwhile.

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), in 2016 there was an increase in the number of vehicles with an emission class between E and B. This is because of the inclusion of the cars belonging to the acquired companies (Rizzoli Libri and Banzai Media Holding) in the company fleet.

The increase in the average value of emissions deriving from the inclusion in the company fleet of the vehicles belonging to the acquired companies was in any case offset by a general reduction in the average emissions of the Mondadori fleet, making

it possible to achieve a class C average emission value (132gCO₂/km) for Mondadori also in 2016.

AVERAGE CO₂ EMISSIONS BY KM

(Grams of CO₂ equivalent)

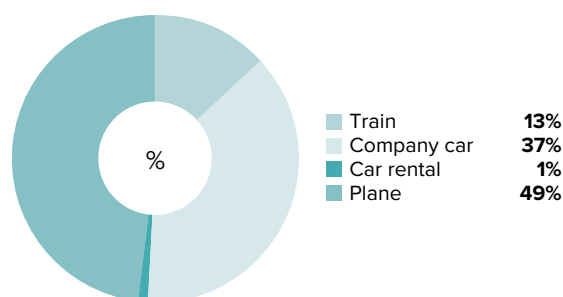
2014	139	C
2015	131	C
2016	132	C

The close attention that Mondadori focuses on the average emissions class of the company fleet is the result of the update it made to 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.

Confirming the trend recorded in the past three years, company cars and planes were mainly re-

sponsible for the CO₂ emissions deriving from business travel (37% and 49% respectively) also in 2016.

EMISSIONS BY MEANS OF TRANSPORT - 2016



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. In 2016, around 60,994 passengers used the service to go to the site, slightly down compared with the 2015 figure (61,500).

Type	2014 ¹	2015 ¹	2016
Class A - Lower than or equal to 100 gCO ₂ /km	10	17	16
Class B - From 101 to 120 gCO ₂ /km	39	29	44
Class C - From 121 to 140 gCO ₂ /km	45	38	40
Class D - From 141 to 160 gCO ₂ /km	38	13	19
Class E - From 161 to 200 gCO ₂ /km	20	18	29
Class F - From 201 to 250 gCO ₂ /km	5	2	2
Class G - Higher than 250 gCO ₂ /km	1	0	0
Total	158	117	150

¹ The 2014 and 2015 data differ from those reported in the 2015 Mondadori Group Sustainability Report as the calculation was updated following the departure of Monradio from the reporting scope [G4-22]



MYEQUILIBRIA: WHEN FITNESS MEETS DESIGN

Open Borders was the name of the 19th exhibition event presented by *Interni* at FuoriSalone 2016 and the XXI International Milan Triennale. The numerous installations were hosted by the University of Milan, the Brera Botanical Garden and, for the first time, Torre Velasca, where Audi City Lab is headquartered.

The theme of this edition was cross-overs between different disciplines - photography, cinema, architecture, technology, the quest for sustainability - as the solution to urban and socio-environmental problems: a concept encapsulated by *MyEquilibria*, the futuristic gym with natural and elegant forms conceived by Vito Di Bari, described by the *Financial Times* as the new European guru of design and innovation.

The team coordinated by the designer created an ideal structure for physical exercise in the metropolis - but one that can also adapt to the most disparate of contexts, from the beach to university campuses - that is located meekly among the greenery of the Brera Botanical Garden. The main body of the

work, the *Leopard Tree*, 7 metres tall and equipped with 9 satellite islands, can host up to 30 people working out at the same time; it is also possible to consult the *MyEquilibria* app for workout suggestions.

The idea for the initiative stems from the going preference for outdoor fitness combined with bodyweight training, a form of exercise which only uses the individual's own weight as resistance, no free weights. The Metalco Group used innovative concrete and metal materials when developing *MyEquilibria*.

Meanwhile, the Court of Honour of the University of Milan hosted, among other things, the *Pick Your Climate* project devised by Carlo Ratti Associati in partnership with Transsolar, which has the ambitious goal of inverting climate change in cities at zero energy cost using special photonic membranes that reflect solar radiation.

Finally, there was also *Untaggable Future*, a brainstorming session on 4 "untaggable" issues: People, Cities, Energy and Light. These topics were discussed by a series of special guests including tribal designer Marcelo Burlon, Paola Antonelli, Director of R&D at the Museum of Modern Art in New York, architects Daniel Libeskind and Stefano Boreri, and director Massimo Coppola.



see pictures on p. 84



NOTE ON METHODOLOGY

The Mondadori Sustainability Report supplements the information regarding sustainability disclosed in the 2016 Annual Report, providing details on the Group's performance and the industry's key indicators. The document is drafted in accordance with the Global Reporting Initiative (GRI) sustainability reporting guidelines, version GRI-G4, including the G4 Sector Disclosure - Media.

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* (pp. 36-39), in accordance with the GRI-G4 Guidelines.

[G4-18]

On the basis of the current coverage of the General Standard Disclosures and the Specific Standard Disclosure indicators, associated with material aspects, the level of adherence to the GRI-G4 guidelines as declared by Mondadori is "In accordance – Core option".

MATERIAL ISSUES [G4-18] [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 scope and any eventual limitations relative to the absent extension of the reporting scope to the external perimeter (G4-omissions).

GRI G4 material aspects	Aspect Scope		Limitations of reporting on scope	
	Internal	External	Internal	External
Economic performance	Group	-	-	-
Raw materials	Group	Paper and printing suppliers	-	Reporting scope not extended to paper and printing suppliers
Emissions	Group	Paper suppliers, distributors, printing suppliers and franchisees	-	Reporting scope partially extended to distributors and not extended to printing suppliers and franchisees
Transport	-	Distributors	-	Reporting scope not extended to distributors
Energy	-	Paper suppliers, distributors, printing suppliers and franchisees	-	Reporting scope not extended to paper suppliers, distributors, printing suppliers and franchisees
Discharges and waste	-	Pulp suppliers	-	Reporting scope not extended to pulp suppliers
Employment	Group		-	-
Industrial relations	Group		-	-
Training and education	Group	Franchisees	-	Reporting scope partially extended to franchisees
Freedom of expression (M)	Group	-	-	-
Representation of human rights (M)	Group	-	-	-
Cultural rights (M)	Group	-	-	-
Protection of privacy (M)	Group	-	-	-
Intellectual property (M)	Group	-	-	-
Anti-corruption	Group	-	-	-
Anti-collusion measures	Group	-	-	-
Political relations	Group			
Labelling of products and services	Group	-	-	-
Respect for privacy	Group	-	-	-
Compliance - Product responsibility	Group	-	-	-
Creation of content (M)	Group	-	-	-
Disclosure of content (M)	Group	-	-	-
Interaction with the public (M)	Group	-	-	-
Media literacy (M)	Group	-	-	-

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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.

SCOPE OF REPORTING AND SUSTAINABILITY

[G4-17] [G4-23]

This document is the sixth public edition of the Mondadori Sustainability Report and includes a description of the key initiatives undertaken in 2016 (solar year) as well as the performance trends of the 2014-2016 three-year period, where available. In addition, the initiatives and events of particular interest undertaken in 2017 and already known at the date of closing of this report were also added (see p. 13). The performance indicators were collected on an annual basis and the reporting frequency is annual.

For social and environmental data, the reporting scope refers to Arnoldo Mondadori Editore S.p.A. and the Italian companies consolidated on a line-by-line basis with the addition, from this year, of the available data of the foreign subsidiary Mondadori France S.A.S.; the financial and economic data refer instead to the Mondadori Group (parent company and subsidiaries consolidated on a line-by-line basis, see pp. 130-131). 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 1, Segrate (Milan).

The scope of reporting is consistent with the content reported above with the exception of some data explicitly indicated in the text.

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

- the acquisition of **RCS Libri**: following the conclusion, on 23 March 2016, of the investigation carried out by the Italian Antitrust Authority, on 14 April 2016 the acquisition of RCS Libri via the subsidiary Mondadori Libri S.p.A. was finalised. At the same time, the new business name Rizzoli Libri S.p.A. was announced.

- the acquisition of **Banzai Media**: an operation that enables the Mondadori Group to become the leading Italian digital publisher and to add over 17 million unique users thanks to the Banzai portfolios, comprising the websites PianetaDonna, Giallo Zafferano, Studenti.it and Mypersonaltrainer.

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 2016 Sustainability Report was reviewed by an independent auditing firm, whose limited independent auditing report is available on pp. 139-140.

REPORTING PROCESS AND CALCULATION CRITERIA [G4-22]

The definition of the content of the 2016 Sustainability Report involved all the key company functions, who worked in close collaboration and under the coordination of the CSR contacts.

As in the past five editions, Mondadori was supported by Ernst & Young's Italian *Climate Change and Sustainability Services* team in the drafting of its 2016 Sustainability Report.

[G4-22] 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 on p. 20;

- 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 hours worked, multiplied by 200,000;
- the severity rate is the ratio between the total number of lost days and the total number of workable hours, multiplied by 200,000;
- the 200,000 multiplier, which appears in the rates/indexes (and in particular: accident rate and severity rate, see *Other figures*, pp. 116-117), 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 workable days by the workforce in the same period;
- where environmental data is not available, conservative estimates were used, resulting in the underestimation of the company’s environmental performance;
- 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 emission factors used to calculate the CO₂ emissions disclosed in this Report were as follows:
 - **Direct emissions scope 1:** for the heating of offices, stores and warehouses with natural gas the emission factor in the table of national standard parameters published by the Italian Ministry of the Environment was used; for leaks of refrigerant gases from air conditioning units

the GWP from IPCC, 2013: Climate Change 2013: The Physical Science Basis was used;

- **Indirect energy emissions scope 2:** for the electricity purchased from the national grid the emission factor in Terna international comparisons on Enerdata figures – 2014 data was used;
- **Indirect emissions scope 3:** for emissions connected with employee travel for business reasons by plane the emission factor in the Defra 2016 databases was used; for trains the emission factor in the 2015 Sustainability Report of Ferrovie dello Stato Italiane was used; for company cars the specific emission factors per individual car model were used (where possible); and for hire cars the emission factor deriving from emission classes according to the eco-label developed by ADEME - Agence de l’Environnement et de la Maîtrise de l’Energie was used. For emissions connected with paper production, the emission factor in the Confederation of European Paper Industries [CEPI] “Key Statistics 2015” document was used.

The figures relating to 2014 and 2015 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 2016 represent the best possible estimate based on the data available at the time this Report was prepared. [G4-22]

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.

For further information about this Sustainability Report, please contact:

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ADDITIONAL INFORMATION

OTHER FIGURES

ENERGY CONSUMPTION

GAS CONSUMPTION

ITALY		Consumption		
Type of energy	Unit of measurement	2014 ²	2015 ¹	2016 ¹
Natural gas	m ³	531,746	512,530	544,121

¹ The 2015 and 2016 figures contain estimates as the final consumption figures are not available

² Gas consumption relative to 2014 was recalculated on the basis of information on the sales network that became available after the publication of the 2015 Sustainability Report [G4-22]

As regards Mondadori France, no gas consumption has been recorded in the last three years.

ELECTRICITY CONSUMPTION

		Consumption		
Dettaglio	Unit of measurement	2014 ²	2015 ²	2016
ITALY¹				
Total electricity purchased from national grid	MWh	19,071	17,480	17,405
FRANCE				
Total electricity purchased from national grid	MWh	2,567	2,962	2,917

¹ The 2015 and 2016 figures contain estimates as the final consumption figures are not available

² The electricity consumption figures for 2015 and 2014 differ from those published in 2015 as they have been recalculated excluding Monradio [G4-22]

WATER CONSUMPTION¹

		Consumption		
Dettaglio	Unit of measurement	2014 ²	2015 ²	2016
ITALY				
Consumption of water from public waterworks	m ³	119,139	100,422	90,311
Consumption of water from owned wells	m ³	2,230,000	2,215,000	1,999,000
FRANCE				
Consumption of water from public waterworks	m ³	6,109	6,937	7,221

¹ Where it was not possible to establish the exact amount of water consumed, the following method was used:

- for sites/offices, 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")
- for shops, the figure available for points of sale with direct supply was used and the consumption of the entire network per square metre was estimated. In addition, shop consumption in 2015 was recalculated on the basis of information that became available after the publication of the 2015 Sustainability Report [G4-22]

² In order to guarantee the comparability of the data, the water consumption for 2014 and 2015 was recalculated excluding the consumption by Monradio. [G4-22]

WASTE

ITALY

The figures reported in the table only relate to the Segrate site.

Type	Unit of measurement	2014	2015	2016 ¹
Non-hazardous waste	Kg	176,299	247,622	360,962
Hazardous waste	Kg	2,072	270,5	2,341
Total	Kg	178,371	247,893	363,303

¹ The significant increase in waste between 2015 and 2016 is due to the numerous works carried out at the building (replacement of fluorescent light bulbs with LEDs, renovation of company canteen, refurbishment of library)

FRANCE

The figures reported in the table only relate to the Mondadori France offices¹. The data relating to the Bobigny warehouse are not available.

Type	Unit of measurement	2014	2015	2016
Non-hazardous waste	Kg	273,429	181,025	228,735
Hazardous waste	Kg	73	49	97
Total	Kg	273,502	181,074	228,832

¹ All waste produced by Mondadori France was sent for recovery or recycled

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CONSUMPTION OF OTHER MATERIALS (in tonnes)

The following tables show 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).

As regards Italy, the figures include the materials used in the shipment of books (from Verona for Mondadori Libri publications and from Stradella for Rizzoli Libri publications), dailies and magazines (Press-di). In addition to trade books, 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, part also of those of Mondolibri.

ITALY		2014		2015		2016		
Raw material	Detail	Verona logistics centre	Press-di	Verona logistics centre	Press-di	Verona logistics centre	Press-di	Rizzoli libri
Wood	Pallets	326	927	505	902	423	866	353
Cardboard	Boxes and packaging materials	839	-	813	-	818	-	318
Polyethylene	Film	66	427	103	384	71	332	4
	Package filling ¹	21	-	10	-	13	-	-
	Pallet covers ¹	4	ND	3	ND	2	ND	1
Polyethylene	Tape	1	ND	2	ND	1	ND	4
	Strapping ¹	3	ND	3	ND	6	ND	4
Expanded polystyrene foam	Filling of packages with polystyrene	-	-	-	-	-	-	16

¹ The figures relating to package filling materials, pallet covers and strapping only refer to Trade Books; the figures for Mondolibri are not available

As regards France, the materials for the shipping of magazines to newsstands and subscription publications are included.

FRANCE

Raw material	Detail	2014	2015	2016
Wood	Pallets	1,298	1,223	1,159
Cardboard	Boxes and packaging materials	25	23	20
Polyethylene	Film	223	215	207
	Package filling	-	-	-
	Pallet covers	-	-	-
Polypropylene	Tape	-	-	-
	Strapping	48	44	40

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PRINT CARTRIDGE AND PAPER CONSUMPTION FOR PRINTOUTS (OFFICES) - ITALY

Tonnes		2014	2015	2016
Raw material	Detail			
Paper	Paper for printouts	96	102	95
Print cartridges	Print cartridges for printouts	4	3	3

HEALTH AND SAFETY IN THE WORKPLACE - ITALY

Nota: the 2015 values relating to the severity rate and the absentee rate were updated as compared with the figures reported in the 2015 Sustainability Report thanks to the availability of more accurate data. [G4-22]

NUMBER OF ACCIDENTS

Type	2014			2015			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Work-related accidents	7	3	10	6	4	10	4	4	8
Commuting accidents	10	9	19	13	3	16	11	3	14
Total accidents	17	12	29	19	7	26	15	7	22
Accident rate			1.73			1.13			0.92

SEVERITY

Severity	2014			2015			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total number of days lost	342	216	558	280	304	584	342	78	420
Severity rate			33.30			24.49			16.93

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ABSENTEEISM

	2014	2015	2016
Lost days	17,657	20,080	22,946
Absentee rate	3.10%	3.51%	3.63%

HEALTH AND SAFETY IN THE WORKPLACE - FRANCE

NUMBER OF ACCIDENTS

Type	2014			2015			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Work-related accidents	6	2	8	4	6	10	7	-	7
Commuting accidents	7	2	9	11	3	14	5	2*	7
Total accidents	13	4	17	15	9	24	12	2*	14*
Accident rate			2.03			3.02			1.60

* The two commuting accidents did not lead to absences of greater than one day and as such were not considered in the calculation of the accident rate

SEVERITY

	2014			2015			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total number of days lost	300	68	368	421	377	798	340	-	340
Severity rate			44.00			100.56			45.23

ABSENTEEISM

	2014	2015	2016
Lost days	9,114	8,315	8,200
Absentee rate	3.81%	3.67%	3.82%

EQUAL OPPORTUNITIES

FEMALE PRESENCE AMONG TOP MANAGEMENT OF PUBLICATIONS - ITALY

	Women	Men
Deputy chief editors	46%	54%
Chief editors	63%	37%

REMUNERATION WOMEN/MEN - ITALY

	2016
Executives	68%
Middle managers	89%
Office workers	92%
Journalists	76%
Workers	90%

REMUNERATION WOMEN/MEN – FRANCE

	2016
Middle managers	84%
Office workers	99%
Journalists	90%

N.B.: data do not include NaturaBuy

EMPLOYEES WITH DISABILITIES – ITALY

	2014			2015			2016		
	% of total employees	of which % women	of which % men	% of total employees	of which % women	of which % men	% of total employees	of which % women	of which % men
Total	5%	44%	56%	5%	46%	54%	5%	46%	54%
	% of total employees with disabilities	of which % women	of which % men	% of total employees with disabilities	of which % women	of which % men	% of total employees with disabilities	of which % women	of which % men
Middle managers	1%	33%	67%	3%	67%	33%	4%	40%	60%
Office workers	6%	46%	54%	79%	46%	54%	79%	47%	53%
Journalists	1%	100%	0%	2%	100%	0%	2%	100%	0%
Workers	18%	35%	65%	16%	33%	67%	15%	33%	67%

EMPLOYEES WITH DISABILITIES - FRANCE

	2014			2015			2016		
	% of total employees	of which % women	of which % men	% of total employees	of which % women	of which % men	% of total employees	of which % women	of which % men
Total	2%	50%	50%	2%	54%	46%	1%	36%	64%
	% of total employees with disabilities	of which % women	of which % men	% of total employees with disabilities	of which % women	of which % men	% of total employees with disabilities	of which % women	of which % men
Middle managers	14%	50%	50%	15%	50%	50%	9%	0%	100%
Office workers	36%	40%	60%	23%	33%	67%	27%	0%	100%
Journalists	50%	57%	43%	62%	62%	38%	64%	57%	43%

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	2014	2015	2016
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	5	4	4
No. of women on the Board of Directors	3	3	3
No. of meetings of the Board of Directors	7	12	9
No. of meetings of the control and risks committee	8	8	9
No. of meetings of the remuneration and appointments committee	3	3	2
No. of meetings of the related party committee*		3	1
No. of meetings of the Board of Statutory Auditors	13	13	14

* established by the Shareholders' Meeting on 23 April 2015



The Board of Directors was appointed by the Shareholders' Meeting on 23 April 2015 for a term of three years, specifically until the Shareholders' Meeting to approve the financial statements for the year ending 31 December 2017.

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

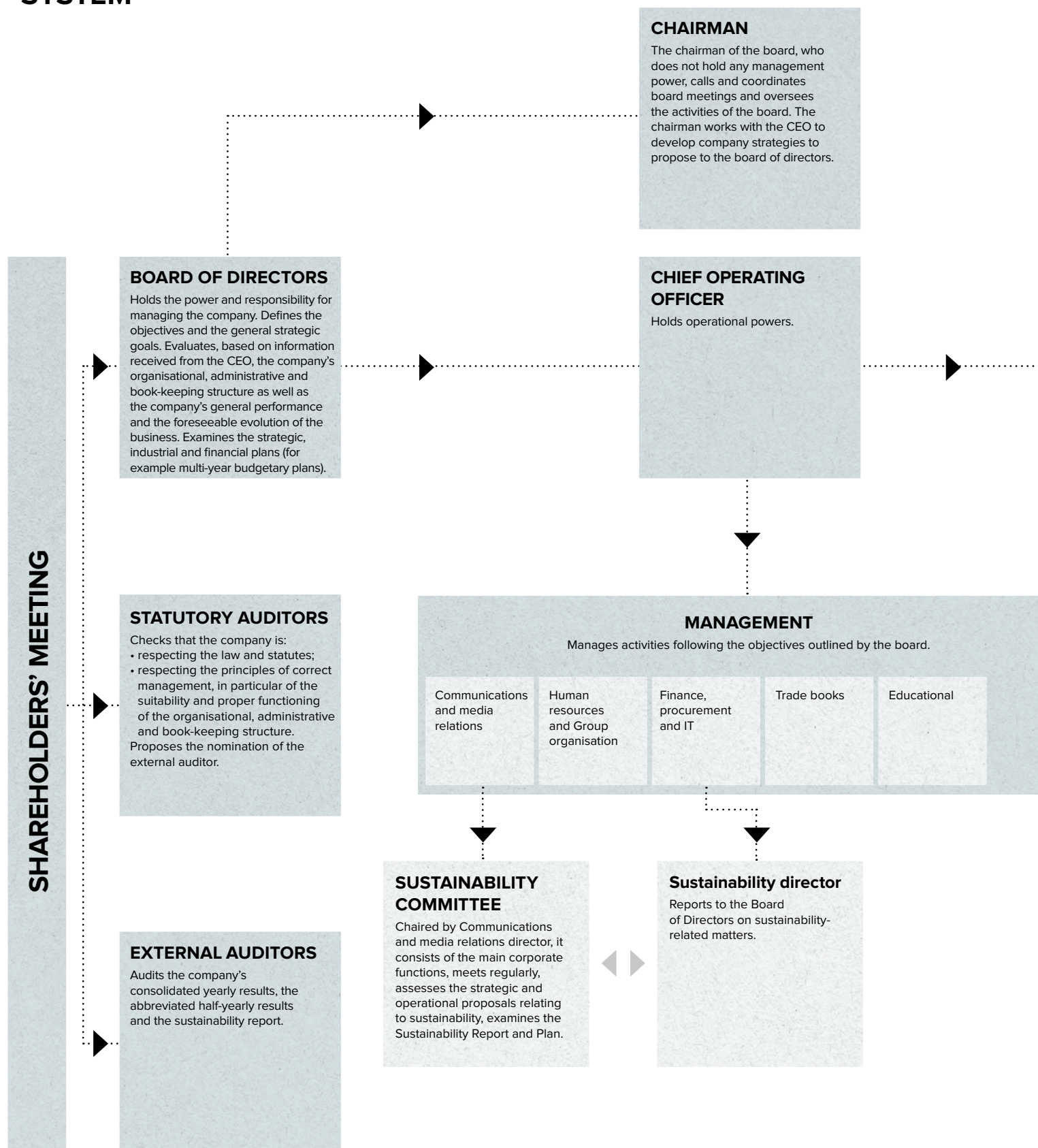
Name	Position	Status		
		Executive	Non-executive	Independent
Marina Berlusconi	Chairman			
Ernesto Mauri	CEO			
Paolo Ainio	Director			
Pier Silvio Berlusconi	Director			
Pasquale Cannatelli	Director			
Alfredo Messina	Director			
Martina Mondadori	Director			
Danilo Pellegrino	Director			
Roberto Poli	Director			
Oddone Pozzi	Director			
Angelo Renoldi	Director			
Mario Resca	Director			
Cristina Rossello	Director			
	Lead independent director			
Marco Spadacini	Director			

Composition of the Board of Directors at 31 December 2016

Two Mondadori directors are aged 30-50, and 12 are over 50. More details are shown in the table on the right.

Gender	Age	2016
Men	< 30	0
	30 - 50	1
	> 50	10
Total men		11
Women	< 30	0
	30 - 50	1
	> 50	2
Total women		3
Total		14

GOVERNANCE SYSTEM



Magazines Italy	Mondadori France	Mondadori Retail	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.

Related parties committee

Provides advice on the Board resolutions regarding the adoption and modifications in procedures for transactions with related parties; gives opinions on transactions of minor and of major importance with related parties.

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 23 April 2015.

On 8 November 2016, the Board of Directors designated independent director Cristina Rossello as Lead Independent Director pursuant to the Code of Conduct for listed companies.

The term of office of the Lead Independent Director is the same as that set forth for the members of the Board of Directors, and therefore until the shareholders' meeting for the approval of the financial statements at 31 December 2017.

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 2016 the Board of Directors met 9 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, of three Standing Statutory Auditors and three Substitute Statutory Auditors, was appointed by the Shareholders' Meeting of 23 April 2015 and shall remain in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2017.

The Board of Statutory Auditors currently comprises:

Name	Position
Ferdinando Superti Furga	Chairman
Francesco Antonio Giampaolo	Standing Auditor
Flavia Daunia Minutillo	Standing Auditor
Annalisa Firmani	Substitute Auditor
Ezio Maria Simonelli	Substitute Auditor
Francesco Vittadini	Substitute Auditor

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

In 2016 the Board of Statutory Auditors met 14 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.

Name	Position	Status		
		Executive	Non-executive	Independent
Marco Spadacini	Chairman			
Alfredo Messina	Director			
Cristina Rossello	Director			

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 2017, unless otherwise resolved.

In 2016 the Committee held 2 meetings, which were attended by the Chairman of the Board of Statutory Auditors.

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

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

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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 2017, 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 2016 the Control and Risks Committee held 9 meetings with the periodic attendance of members of the Board of Statutory Auditors, the Head of Internal 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 Related Party Committee, in office until the expiry of their mandate as directors and, therefore, until the approval of the financial statements for the year ending 31 December 2017, unless otherwise resolved, consists of three non-executive and independent directors.

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

The Board of Directors assigned the following functions and responsibilities to the Related Party Committee:

- issuing an opinion on board resolutions regarding the adoption and amendment of procedures for related party transactions, pursuant to art. 4, paragraphs 1 and 3 of Consob Regulation 17221/2010, as amended;
- issuing, without prejudice to the use of the alternative oversight mechanisms set forth by the Regulation and the relative procedure when a member of the committee is identified as a related party in relation to a given transaction, opinions on transactions of lesser relevance and on transactions of greater relevance pursuant to articles 7 and 8 of the Regulation.

In 2016 the Related Party Committee held 1 meeting.

The Supervisory Body, confirmed by the entire Board of Directors on 23 April 2015, conducts audits on the proper application of the Organisation, management and control model adopted in compliance with the requirements of Italian Leg. Decree 231/2001, as well as its actual effectiveness and functionality. It carries out periodic controls and targeted audits on at-risk activities, with free access authorised by the Board to documentation and information from all company functions, and promotes initiatives for disclosing and providing training on the principles, values and rules of conduct set forth in the Model.

It consists of Ferdinando Superti Furga (chairman of the Board of Statutory Auditors), Angelo Renoldi (independent director) and Paolo De Benedetti (head of Group internal audit), and held 5 meetings during the year.

The Supervisory Body reports to the Board of Directors periodically on the activity carried out, the functioning of the Model or specific situations.

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.



THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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.

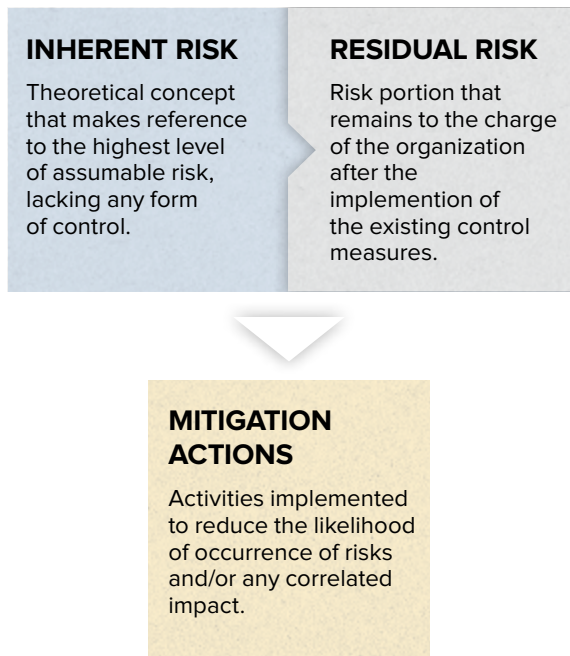
The guidelines and orientation of the internal control and risk management system make reference to the principles envisaged in the Enterprise Risk Management (ERM) standard, an international standard developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report).

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.



During the year, the risk management activity guidelines were updated, taking into account the recommendations of the Code of Conduct relating to the identification and evaluation of risks, by the Board of Directors, over a medium/long-term period.

In 2016, 62 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 protection of the brand and intellectual property.

With reference to the Italian context, the topic of change management is particularly significant, i.e., the Company's capacity to develop and adapt the skills of employees based on organisational and market developments. In 2016, the Mondadori practices, principles and procedures were aligned and extended to the companies that have entered the group, which will be followed up with the integration of company IT systems.

As regards Mondadori France, the most relevant risks regard the decrease in advertising sales and the adaptation to the health and safety rules laid out by stringent French law.

The entry into force (May 2018) of the new European regulation on privacy and data protection constitutes a legislative risk shared by the Italian and French businesses.

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, during the year specific audits were conducted on certain processes: procurement procedures, expense reports and orders relating to Expo. No episodes of corruption were either identified or reported. Also in this area, it is important to highlight the review of the system of proxies and delegated authorities, which was improved in order to prevent opportunistic behaviours. Lastly, other audits were carried out on suppliers.

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;
- Analysis and operating processes: 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.

Some of the main activities of the Supervisory Body in 2016 were:

- updating and approving the Organisation, management and control model of Rizzoli Libri, Rizzoli Librerie, Mondadori Electa and Mondadori Retail. The relative training activity was planned for 2017.

The internal control system includes a committee dedicated to the mapping and updating of all existing procedures, made up of the following departments: Internal Control, Human Resources, Legal and Corporate Affairs, Procurement.

With respect to environmental risks, an analysis was carried out in 2015 in order to detect any at-risk activities with reference to the new types of environmental crime introduced by Italian Leg. Decree no. 121/2011, which was followed up with the approval of two new procedures (underground tanks and waste management).

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).

CONSOLIDATION SCOPE [G4-17]

The table shows the consolidation scope of the consolidated financial statements; companies included in the Sustainability Report are marked with an asterisk.

Company	Office
Companies consolidated on a line-by-line basis:	
*Arnoldo Mondadori Editore S.p.A.	Milan
<i>Italian subsidiaries</i>	
*Inthera S.p.A (formerly Cemit Interactive Media S.p.A.)	Turin
*Edizioni Piemme S.p.A.	Milan
*Giulio Einaudi Editore S.p.A.	Turin
*Glaming S.r.l. (in liquidation)	Milan
*Mondadori Scienza S.p.A.	Milan
*Mondadori Retail S.p.A.	Milan
*Mondadori Education S.p.A.	Milan
*Mondadori Electa S.p.A.	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
*Sperling & Kupfer Editori S.p.A.	Milan
*Rizzoli Libri S.p.A. ¹	Milan
*Librerie Rizzoli S.r.l. ¹	Milan
*Banzai Media S.r.l. ²	Milan
*Adkaora S.r.l. ³	Milan
<i>Foreign subsidiaries</i>	
*Mondadori France Group	Montrouge
*Mondadori UK Ltd	London
*Rizzoli International Publications Inc. ⁴	New York
*Rizzoli Bookstores Inc. ⁴	New York
*Rizzoli International Books BV ⁵	Amsterdam

¹ Acquired on 14 April 2016, consolidated as of 1 April 2016

² Acquired on 8 June 2016, consolidated as of 1 June 2016; incorporated within Arnoldo Mondadori Editore on 15 January 2017.

³ Acquired on 8 June 2016, consolidated as of 1 June 2016

⁴ Acquired on 14 April 2016, consolidated as of 1 April 2016


⁵ Acquired on 14 April 2016, consolidated as of 1 April 2016; as of 2 February 2017, transformed into an Italian limited liability company with the name Rizzoli International Books S.r.l.

Company	Office
Companies consolidated at equity:	
Attica Publications Group	Athens
Campania Arte S.c.a.r.l.	Rome
Consorzio Scuola Digitale	Milan
Edizioni EL S.r.l.	San Dorligo della Valle (TS)
GD Media Service S.r.l.	Peschiera Borromeo (MI)
Mach 2 Libri S.p.A.	Peschiera Borromeo (MI)
Mediamond S.p.A.	Milan
Mondadori Seec (Beijing) Advertising Co.Ltd	Beijing
Monradio S.r.l.	Milan
Società Europea di Edizioni S.p.A.	Milan
Venezia Musei Soc. per i servizi museali S.c.a.r.l. (in liquidation)	Venice
Venezia Accademia Società per i servizi museali S.c.a.r.l.	Mestre
Skira Rizzoli Publications Inc.	New York
Gold 5 S.r.l.	Milan
[G4-17]	

In accordance - Core option

Standard Disclosure	Standard Disclosure Title	Page Number (or Link)	Omissions
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. 12-13; 15-17; 18-19	
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; 18-19	
G4-7	Nature of ownership and legal form	pp. 13-14; 110	
G4-8	Markets served	pp. 12-13; 15-16	
M G4-9	Scale of the reporting organization	pp. 12-13; 15-16; 20-21; 63; 66-69	
M G4-10	Total workforce by employment type, employment contract, and region, broken down by gender	pp. 63; 66-69	
G4-11	Percentage of employees covered by collective bargaining agreements	pp. 67-68	
G4-12	Organization's supply chain	pp. 18-19; 86-97	
G4-13	Significant changes during the reporting period regarding size, structure, ownership, or the supply chain	pp. 12-13; 110	
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	pp. 110-111; 127-129	
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	pp. 29; 46-47	
G4-16	Participation in associations (such as industry associations) and/or national/international advocacy organizations	p. 30	
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. 110; 130-131	
G4-18	Process for defining report content and Aspect Boundaries and the implementation of the Reporting Principles for Defining Report Content	pp. 31-32; 36-38; 109	

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Standard Disclosure	Standard Disclosure Title	Page Number (or Link)	Omissions
G4-19	Material Aspects identified in the process for defining report content	pp. 36-38; 109	
G4-20	Aspect Boundary within the organization for each material Aspect	p. 109	
G4-21	Aspect Boundary outside the organization for each material Aspect	p. 109	
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatement	pp. 21; 24; 63; 89; 99; 105-106; 110-111; 113; 116	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	p. 110	
Stakeholder engagement			
G4-24	List of stakeholder groups engaged by the organization	pp. 31-33	
G4-25	Basis for identification and selection of stakeholders with whom to engage	pp. 31-33	
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	pp. 32-36	
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. 32-36	
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 and GRI Content Index	pp. 109; 132-137	
G4-33	Policy and current practice with regard to seeking external assurance for the report	pp. 110; 139-140	
Governance			
 G4-34	Governance structure of the organization	pp. 120-127	

Standard Disclosure	Standard Disclosure Title	Page Number (or Link)	Omissions
Ethics and integrity			
M G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethic	pp. 18-19; 120; Code of Ethics	

MATERIAL ISSUES

SPECIFIC STANDARD DISCLOSURES

ECONOMIC

Economic performance

G4-DMA		pp. 12-14; 15-17; 20-22; 23-24; 40-42	
G4-EC1	Direct economic value generated and distributed	pp. 20-22	
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. 14	
M M1	Significant funding and other support received from non-governmental sources	p. 14	

ENVIRONMENTAL

Materials

G4-DMA		pp. 86-91	
M G4-EN1	Materials used by weight or volume	pp. 89-91	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	pp. 89-91	

Energy

G4-DMA		pp. 92-97; 98-101; 102-106; 109	
G4-EN4	Energy consumption outside the organization	p. 109	The information required by the Specific Standard Disclosure (external boundary) is not available

Emissions

G4-DMA		pp. 98-101; 102-106	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	pp. 99-101	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	pp. 99-101	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	pp. 93; 99-101; 106	

Effluents and waste

G4-DMA		pp. 92-97; 109; 114	
M G4-EN23	Total weight of waste by type and disposal method	pp. 109; 114	The information required by the Specific Standard Disclosure (external boundary) is not available

Transport

G4-DMA		pp. 92-97	
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Standard Disclosure	Standard Disclosure Title	Page Number (or Link)	Omissions
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	p. 93	Quantification of the significant impacts linked to transport is currently extended only to magazine distributors with regard to CO ₂ emissions

SOCIAL

LABOR PRACTICES AND DECENT WORK

Employment

G4-DMA pp. 62-69; 80-81

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region pp. 64-65

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; 80-81

G4-LA3 Return to work and retention rates after parental leave, by gender p. 69

Labor / management relations

G4-DMA pp. 70-71; 73

G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements pp. 70-71

Training and education

G4-DMA pp. 71-73; 74; 75-79

M G4-LA9 Average hours of training per year per employee by gender, and by employee category pp. 75-79

G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings pp. 71-73

G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category pp. 71-73

HUMAN RIGHTS

M Freedom of Expression

G4-DMA pp. 15; 48-50

M Portrayal of Human Rights

G4-DMA pp. 48-50

M Cultural Rights

G4-DMA pp. 48-50

M Intellectual Property

G4-DMA pp. 48-50; 127-129

M Protection of Privacy

G4-DMA pp. 57-58; 128

Standard Disclosure	Standard Disclosure Title	Page Number (or Link)	Omissions
SOCIETY			
Anti-corruption			
G4-DMA		pp. 127-129	
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	pp. 127-129	
G4-SO4	Communication and training on anti-corruption policies and procedures	p. 129	
G4-SO5	Confirmed incidents of corruption and actions taken	p. 129	
Public policy			
G4-DMA		p. 14	
G4-SO6	Total value of political contributions by country and recipient/beneficiary	p. 14	
Anti-competitive behaviour			
G4-DMA		p. 13	
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	p. 13	
PRODUCT RESPONSIBILITY			
Product service and labelling			
G4-DMA		pp. 18-19	
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	pp. 18-19	
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. 19	
Customer privacy			
G4-DMA		pp. 57-58	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	p. 58	
Compliance			
G4-DMA		p. 22	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	p. 22	
M Content Creation			
G4-DMA		p. 46-50	
M2	Methodology for assessing and monitoring adherence to content creation values	p. 47; Corporate Governance Report 2016, pp. 30-31	
M Content Dissemination			
G4-DMA		pp. 51-52	
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. 51-52	

Standard Disclosure	Standard Disclosure Title	Page Number (or Link)	Omissions
M	Audience Interaction		
G4-DMA		pp. 32-36; 52-54; 55-56	
M6	Methods to interact with audiences and results	pp. 32-36; 52-54; 55-56	
M	Media Literacy		
G4-DMA		p. 47	
M7	Actions taken to empower audiences through media literacy skills development and result obtained	p. 47	

M Media Sector Disclosures

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT ON THE SUSTAINABILITY REPORT

**To the Board of Directors of
Arnoldo Mondadori Editore S.p.A.**

We have carried out a limited assurance engagement on the Sustainability Report of the Mondadori Group (the "Group") as of December 31, 2016.

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 Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), 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.

The procedures performed on the Sustainability Report included inquiries, primary with company personnel responsible for the preparation of Sustainability Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

These procedures consisted in verifying its compliance with the principles for defining report content and quality set out in the "G4 Sustainability Reporting Guidelines", and are summarised as follows:

- comparing the economic and financial information and data included in the paragraphs "Creating value for stakeholders" and "Value distributed to the community" of the Sustainability Report with those included in the Group Consolidated Financial Statements as of December 31, 2016, on which we issued the report pursuant to articles 14 and 16 of Legislative Decree no. 39 of January 27, 2010, dated March 31, 2017;
- analysing, through interviews, the governance system and the management process of the matters 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;

- 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. and with the personnel of Mondadori France S.A.S. 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" of this report, as well as the reliability and completeness of the data and information disclosed.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

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, 2016 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 Report.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Camosci
Partner

Milan, Italy
April 7, 2017

*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 Group employees who have contributed to the drafting of this Sustainability Report

In collaboration with
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Picture on p. 8 (top right): Mondadori Portfolio/Sergio Del Grande
Pictures on p. 44: (from left to right, from above) AES+F; Philippe De Gobert; Little Sun; Hans Op de Beeck; CAAC - The Pigozzi Collection, Geneva; Tracey Snelling; Nina Sellars

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The content of Mondadori Group Sustainability Report 2016 was approved
by the Board of Directors on 21 March 2017

