

**Arnoldo Mondadori Editore S.p.A.**

Registered office: Via Bianca di Savoia 12, Milan

Share capital EUR 67,979,168.40 fully paid-up

Tax code and Register of Companies of Milan-Monza-Brianza-Lodi 07012130584

**REMUNERATION REPORT**

**(prepared pursuant to Articles 123-ter  
Italian Legislative Decree 58/1998 and 84-*quater*  
of CONSOB Regulation 11971/1999**

**March 2018**

**GRUPPO  MONDADORI**

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## **Letter from the Chairman**

*Fellow Shareholders,*

*it is my pleasure to present the Report on Remuneration for 2018, in compliance with regulations in force.*

*With the upcoming election of a new Board of Directors, I would like to take this opportunity to thank my fellow members of the Committee, who have shared this experience with me –Cristina Rossello, Alfredo Messina, and the Chairman of the Board of Auditors, Ferdinando Superti Furga – and to briefly outline our work over the last three years in analysing, examining and developing remuneration policy.*

*Through the constant planning of activities, the Committee oversaw the implementation of the remuneration policy and the constant monitoring of the roll-out process for support tools.*

*With the precious and meticulous contribution of the Central Human Resources and Organisation Department, the Committee, as part of its more prominent work, oversaw the preparation of the Report on Remuneration, the introduction of Malus & Clawback clauses, and the reformulation of the Medium/Long-term Incentive Plan (LTI) on the basis of a careful assessment of its architecture and the concrete effectiveness of the three-year performance objectives adopted.*

*The new "Performance Share" LTI plans envisage a "closed three-year plan" for the period 2017–2019, whereas starting from 2018, a "Rolling Plan" will be introduced, structured on an annual cycle (with assignments made each year equal to 1/3 of the total value set for the Closed Plan), subject to a 12-month "lock-up" period on 20% of the shares effectively allocated.*

*The Committee believes the remuneration system adopted for top management is transparent and effectively linked to the creation of value in the medium/long-term, while ensuring one of the main objectives of the policy itself, which is to attract, motivate and retain the best people able to lead the Company to success.*

*I would also like to welcome and wish all the best to those who will be called to make up the new Committee.*

*I am confident that the report submitted for your examination bears witness to the constant effort made by the Committee in these last years, and on behalf of all my colleagues I would like to thank you for your endorsement of the remuneration policy planned for 2018.*

*The Chairperson*

**Marco Spadacini**

## Introduction

In accordance with Article 123-ter of Italian Legislative Decree 58/1998, Article 84-*quater* of Consob Regulation No. 11971/1999, as amended (the "Issuers' Regulation"), this Remuneration Report (the "Report") provides information on the remuneration policies adopted by Arnoldo Mondadori Editore S.p.A. (the "Company" or the "Issuer") regarding the members of the Board of Directors and Key Management Personnel.

In accordance with the above-mentioned regulatory provisions, this Report is made up of two sections and has been prepared in compliance with Annex 3A, Schedule 7-*bis* of the Issuers' Regulation.

The **first section** illustrates, in terms of principles, the purposes, mechanisms and rules, and the remuneration policy that will be adopted for 2018.

The **second section** illustrates the outcomes of the policy actually implemented in 2017, including through a presentation of tables showing the remuneration paid, to Directors and Statutory Auditors, in nominal form and in aggregate form for Key Management Personnel.

This Report was approved by the Board of Directors on 13 March 2018, at the recommendation of the Remuneration and Appointments Committee.

The first section of this Report is subject to a non-binding resolution on the part of the Ordinary Shareholders' Meeting, which has been called for 24 April 2018 (and if necessary, a second call on 26 April 2018) to approve the financial statements for as at 31 December 2017.

Pursuant to Article 123-ter of Italian Legislative Decree 58/1998, the Report will be made available to the public at the registered office, on the authorized storage device "1info" ([www.1info.it](http://www.1info.it)), and on the website [www.mondadori.it](http://www.mondadori.it) from 29 March 2018.

The adoption and setting of the Remuneration Policy herein described was carried out with the involvement of a Remuneration and Appointments Committee made up of a majority of independent directors, as detailed below; in addition, the Report was submitted to the Shareholders for an advisory vote. As such, under the provisions of Consob Regulation No. 17221 of 12 March 2010, as amended, concerning related-party transactions, as transposed in the relative procedures approved by the Board of Directors, resolutions regarding the remuneration of Directors and Key Management Personnel are thus exempt from the application of the procedures laid down in the above-mentioned Consob regulation on related-party transactions.

## EXECUTIVE SUMMARY

In accordance with the governance model adopted by the Company, market best practice, and the recommendations of the Corporate Governance Code sponsored by Consob, remuneration policy is set with a view to attracting, motivating and retaining people with the professional skills needed for the Group's growth and, at the same time, to ensure the delivery of strategic Company objectives for the sustainable creation of value in the medium/long-term.

As such, the priority of remuneration policy is to maintain a strong link between remuneration and performance in order to ensure that the interests of management are aligned with those of shareholders, with a view to continuously improving both individual and company performance.

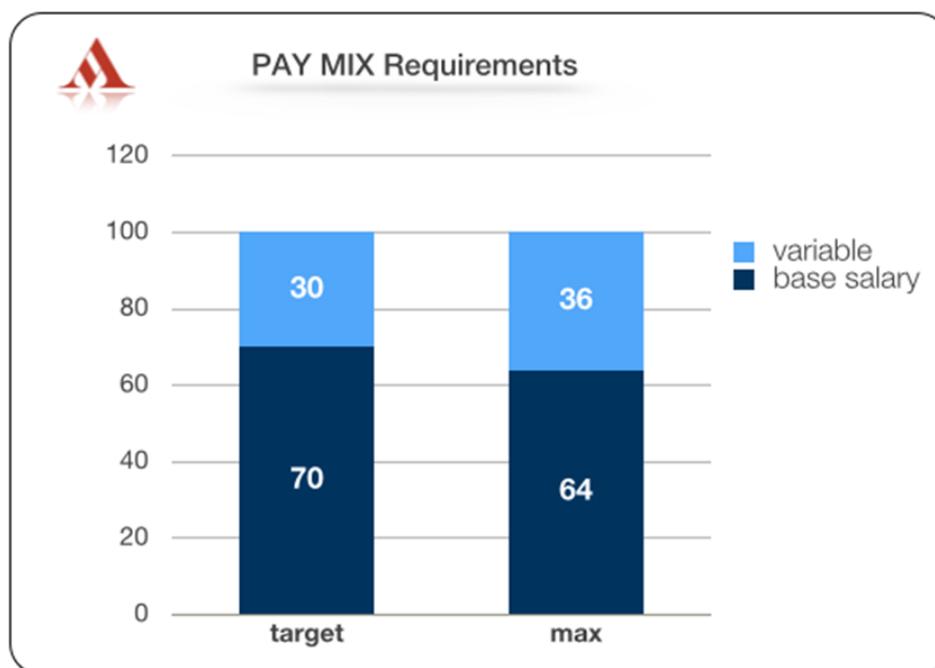
Accordingly, the remuneration policy adopted envisages differentiated components of remuneration, in line with the following criteria:

- fixed and variable components of both short-term and medium/long-term remuneration should be suitably balanced;
- performance objectives should be set in advance and should be measurable;
- maximum and minimum limits should be set for variable MBO and LTI components of remuneration.

The purposes and characteristics of the main components of the remuneration policy adopted are outlined in the following table.

PAY	Purpose	Characteristics
<b>Fixed Pay</b>	The purpose of fixed compensation is to remunerate the breadth and strategic importance of the role covered	The aim is to progressively align remuneration to the role covered, the commitment required, and the criteria of internal and external fairness, as determined on the basis of market benchmarks <u>Fixed compensation has a weighting of no more than 70% of total compensation</u>
<b>Short-term Variable Pay (MBO)</b>	The short-term variable component is designed to promote and render transparent the link between economic rewards and the delivery of annual objectives	Variable pay is awarded when set annual objectives are delivered. These are linked to performance indicators, both at the consolidated Group level and at the individual business area or corporate function level, which are set on the basis of budget figures and measured according to set objective criteria. The target level can vary between 90% and 110%. <u>Short-term variable pay at target level has a weighting of no less than 22.5% of total compensation</u>
<b>Medium/long-term Variable Pay (LTI)</b>	The long-term variable component is designed to promote the alignment of management interests with shareholder interests, creating a tighter link between management action and the creation of value for the company	The component is based on Performance Share Plans (closed and rolling) and the delivery of set three-year targets at Group level. Shares are assigned considering the role covered and the criteria of internal and external fairness, as determined on the basis of market benchmarks. Performance conditions are tied to: cumulative Group Net Profit for the period, Total Shareholder Return (TSR) at the end of the period, cumulative Group EBITDA for the period, and cumulative Group Free Cash Flow for the period (operational indicators determining the value of stock). The target level can vary between 90% and 120%. Clawback clauses are envisaged and 20% of the assignment (net of tax) is locked-up for 12 months. <u>The variable LTI component at target level has a weighting of no less than 7.5% of total compensation</u>
<b>One-off / Extraordinary bonuses</b>	From a pay for performance standpoint, we believe that the payment of one-off bonuses to managers of particular strategic significance that have distinguished themselves through their exceptional individual efforts is a meritocratic selection mechanism that helps retain excellent personnel	Cash bonuses are envisaged and paid on a one-off basis over and above the variable components of compensation, based on an assessment of the outcomes and contributions made to extraordinary transactions or outstanding performance in relation to specific projects
<b>Benefits</b>	To provide rewards and economic benefits distinct from other forms of compensation	The benefits package consists of life insurance and supplemental health insurance. For foreign residents, benefits include housing and cars

With reference to the information reported above, the following chart shows the minimum requirements for the target and maximum levels of the pay mix envisaged for Executive Directors\* and Key Management Personnel.



*\*For Executive Directors, a major part of remuneration is tied to the delivery of specific set performance objectives determined in accordance with the guidelines contained in the general remuneration policy (6.P.2./6.P.4. Corporate Governance Code), except as concerns the Chairperson, whose remuneration package consists solely of the fixed emoluments set by the Shareholders' Meeting and the Board of Directors.*

For Non-executive Directors, in line with market best practice (6.P.2./6.C.4 Corporate Governance Code), no component of remuneration is tied to the economic performance of the Issuer. The remuneration of Non-executive Directors is proportionate to the commitment asked of each of them, taking into account any appointments to Board committees. As such, in addition to the fixed compensation set by the Shareholders' Meeting, directors serving on Board committees are paid an additional fee determined by the Board of Directors on the basis of the role assumed on the committee (chairperson or member).

## SECTION I – REMUNERATION POLICY 2018

### **1 – Governance of the Process for Setting Remuneration Policy**

#### **a) Bodies and Individuals Involved**

The Remuneration Policy (the “Policy”) is finalized and approved by the Board of Directors, at the recommendation of the Remuneration and Appointments Committee (the “Committee”). The Committee is appointed by the Board of Directors, and its composition, tasks, and operating procedures are described in subsection b) below.

The Policy sets forth principles and guidelines that must be respected in its setting and implementation. This is the responsibility of the following figures:

- the Board of Directors, for the remuneration of Executive Directors and other Directors who have been appointed to key positions;
- the Chief Executive Officer, who is supported by the Central Group Human Resources and Organization Department, for the remuneration of Key Management Personnel.

The Head of Central Group Human Resources and Organisation reports to the Committee at least once a year on the effective implementation of the Policy.

In light of the findings of the Report, the Committee then monitors and verifies that the implementation of the Policy respects the principles set, and reports on this to the Board of Directors.

#### **b) The Remuneration Committee**

##### **Composition and appointment of the Committee**

The Committee was established by the Board of Directors in 2005. In 2012, taking into account the organizational requirements of the Company, the Board of Directors resolved to group together appointment and remuneration duties and task them to a single Board committee, namely the Remuneration and Appointments Committee.

The composition, appointment, duties and procedures for the operation of the Committee are governed in compliance with the recommendations of the Code of Conduct.

The members of the Committee, who are in office as at the date of this report, were appointed by resolution of the Board of Directors on 23 April 2015 (except

for the non-executive director Alfredo Messina, in office from 28 July 2016 following the resignation on that date of the non-executive Director Bruno Ermolli) will remain in office until expiration of the directors' mandate and therefore until the Shareholders' Meeting for the approval of the financial statements as at 31 December 2017, save for a resolution to the contrary.

The Committee currently in office is composed of three non-executive directors, since they are not holders of individual management mandates and do not cover management positions within the company or companies belonging to the Mondadori Group, the majority of whom are independent, including the Chairman. The members of the Committee have proven professional skills in the sector of reference, adequate knowledge and experience in financial and remuneration policy issues.

Remuneration Committee	
<b>Marco Spadacini</b>	Chairman independent non-executive Director
<b>Alfredo Messina</b>	non-executive Director
<b>Cristina Rossello</b>	independent non-executive Director

- **The duties and functions of the Committee**

In compliance with the recommendations of the Code of Conduct, the last with resolution of 23 April 2015, the Board of Directors has tasked the Committee with the duties and functions, for investigation, consulting and proposal purposes, summarized here below.

## Duties and functions of the Committee

- ✓ to provide advice and recommendations to the Board of Directors regarding the Remuneration Policy for Directors and Key Management Personnel; and to periodically check – in conjunction with the Department of Human Resources and Organization – that the Policy is being implemented in conformity with the principles laid down in its framework, reporting their findings to the Board of Directors accordingly;
- ✓ to make recommendations to the Board of Directors regarding the remuneration of Directors holding key positions (e.g. Chairman, Chief Executive Officer, Executive Directors and Directors on committees);
- ✓ to make presentations to the Board of Directors regarding the Committee's work on identifying and laying down corporate guidelines aimed at retaining and motivating management personnel;
- ✓ to make recommendations on the implementation of Shareholder-approved Incentive Plans based on financial instruments, in accordance with article 114-bis of Legislative Decree no. 58/1998 and referred to in section II of this Report.
- ✓ to express opinions to the Board of Directors on the size and composition of the Board and on whom it would be most appropriate to include as Board members, in addition to any limitations on the number of other positions a Board member may take on;
- ✓ to propose new candidates for the position of director to the Board of Directors, in the event of an appointment by co-optation to replace an independent director.

### - **Operating procedures of the Committee**

The Committee members shall meet and act collectively any time the Chairman deems it necessary, or at the request of one or both of the other members, and in any case with the frequency that is required for carrying out its functions. The Committee meetings can be held in any place, including other than the registered office of the Company. The presence of at least two members of the Committee is required in order for the resolutions of the Board to be valid.

The Committee's resolutions are passed by a simple majority, and are then recorded in the minutes pertaining to the relative meeting. The minutes are signed by all members who take part in the meeting, as well as by the Chairman of the Board of Statutory Auditors, who takes part in the meetings without voting rights. A secretary selected by the Chairman may also attend the meetings.

It should be noted that the Committee, in its function as an advisory body, does not deliberate on issues in the presence of interested parties. This is in keeping with the Code's recommendations on the matter.

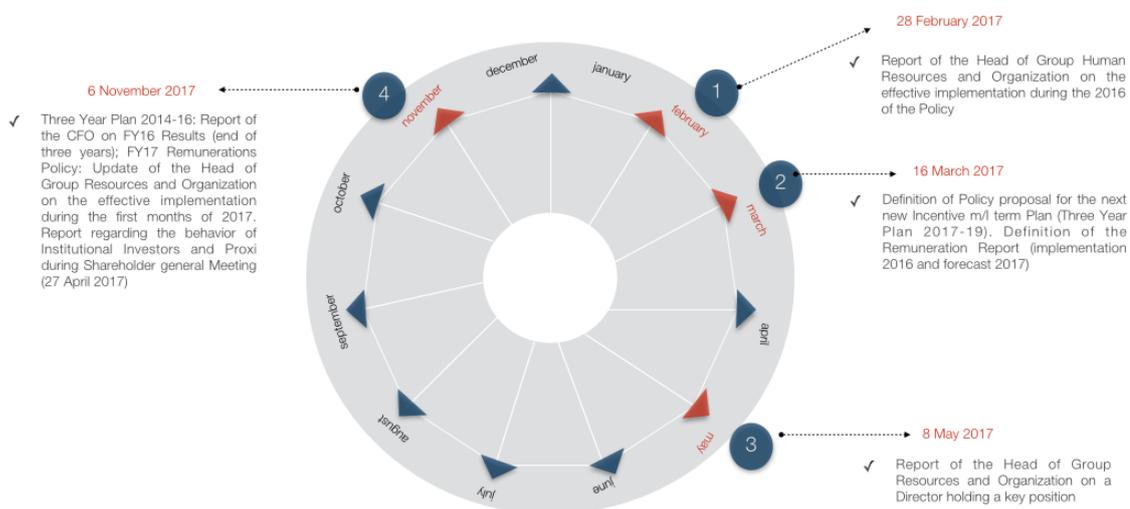
Specifically, a director will refrain from participating in Committee meetings in which his/her own remuneration package is being discussed for proposal to the Board of Directors.

The Committee has access to all the corporate information and functions necessary to the performance of its duties. Upon the request of the Committee Chairman, managers of the company, or other individuals, may participate in the meetings to provide information or assessments on the individual agenda items.

- **Committee cycle of activities**

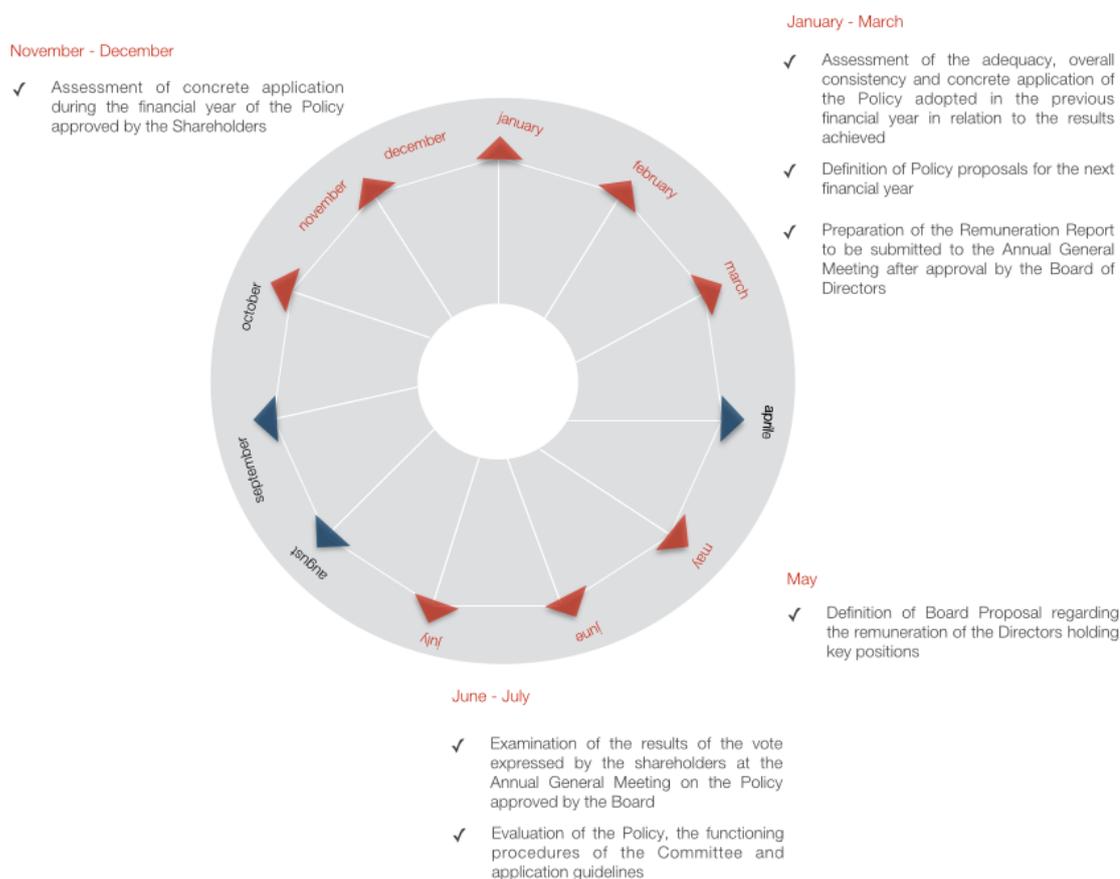
**Activities carried out in financial year 2017**

In 2017 the committee met 4 times, with 100% of the Committee members in attendance. Minutes were taken regularly for these meetings. The chart below contains a summary of the dates and content of the meetings held.



## Activities scheduled for 2018

In 2018, the activities of the Committee will take place in implementation of the annual programme, which contains the phases summarized in the chart below.



## 2 – Purposes of the Policy

In general terms, in line with the governance model adopted by the Company and the recommendations contained in the Code of Conduct, the Policy is set in order to attract, motivate and ensure the loyalty of individuals who possess the professional qualities required to ensure that the main objective of creating sustainable value for the Company and the Group is reached in the medium to long-term.

To that end, the Policy has identified the focal point where Shareholders' and Management's interests meet: maintaining a strong link between pay and performance.

It follows that a significant part of the total remuneration for Executive Directors and Key Management Personnel is linked to the achievement of specific targets. Said targets are set in reference to both the Group's overall performance and to the performance measured on a consolidated basis and in specific business areas or corporate functions, over both the short term and the medium-to-long term.

### **3 – General Principles of the Policy**

In keeping with the general aims outlined above, the Policy is based on the following principles:

- an appropriate balance between base pay and variable pay, which shall depend on the Company's strategic objectives and risk management policy, as well as on the line of business involved and the nature of the work that has actually been carried out;
- the establishment of limits on variable pay;
- as relates to variable pay, setting measurable performance objectives beforehand;
- as far as medium-to-long-term plans are concerned, the payout of a significant portion of variable pay is to be appropriately, deferred in relation to its accrual.

### **4 – Policies for Fixed and Variable Remuneration Components**

In this matter, the Remuneration Policy is structured around different principles and procedures regarding base pay packages and short, medium or long-term variable pay packages: it depends on the recipients of said packages.

In particular:

#### **A) Non-executive Directors**

Non-executive Directors are directors that do not hold individual management authority or executive positions in the Company or in other legal entities belonging to the Group.

Non-executive Directors are entitled to a base pay that is determined by the Ordinary Shareholders' Meeting at the time of their appointment.

At the recommendation of the Remuneration Committee, and with the approval of the Board of Statutory Auditors, the Board of Directors may determine an additional amount of base pay depending on participation in committees instituted by the Board of Directors itself.

The principle underlying this procedure is to pay non-executive members of the Board of Directors a lump sum as compensation.

The compensation of non-executive Directors is not linked to the Company's economic performance or to the economic performance of the Group as a whole, nor is it linked to any type of performance objective in general.

#### **B) Executive directors**

(i) Directors vested with particular duties in the Issuer pursuant to the Bylaws (Chairman/CEO)

The Directors with particular duties in the Issuer will receive, in addition to the fixed remuneration determined by the Shareholders' Meeting at the time of their appointment, remuneration (in fixed and/or variable form) as determined by the Board of Directors in compliance with the specific proposal of the Committee and the opinion in favour of the Board of Statutory Auditors, including in relation to the provisions under Article 2389 (III), of the Italian Civil Code.

The variable remuneration component of the Chief Executive Officer is determined by the Board of Directors pursuant to a specific proposal of the Committee and with the opinion in favour of the Board of Statutory Auditors, in compliance with the criteria defined in the section below applicable also to Key Management Personnel.

(ii) Directors vested with particular duties in a subsidiary of the Issuer of strategic importance (Chairman/CEO of the subsidiary)

The remuneration of qualified executive directors, who are tasked with particular duties within a subsidiary of the issuer that has strategic significance (i.e. the executive officers and chairman of the subsidiary with strategic significance when they are given individual management mandates or when they have a specific role in the setting of corporate strategies) – in addition to the fixed remuneration determined by the Issuer's Shareholders Meeting at the time of their appointment – is determined by the competent corporate bodies of the subsidiary, insofar as the duties incumbent upon it.

A variable component of the remuneration may be determined and attributed to competent bodies of the subsidiary, also upon proposal of the Issuer's Chief Executive Officer, with account taken of the strategic and performance objectives of the subsidiary which are predetermined, measurable and connected to the creation of value.

(iii) Executive directors for managerial duties within the Issuer (see managerial duties connected with the office of Chief Financial Officer – Finance, Procurement and IT Systems)

Executive directors with managerial duties within the Issuer, in addition to the fixed remuneration as determined by the Shareholders' Meeting at the time of their appointment, will receive, upon determination of the Chief Executive Officer through the Central Group Human Resources and Organization Department, a remuneration package according to criteria defined in the section below for the remuneration of Key Management Personnel.

### C) Key Management Personnel

As stated in Consob Regulation No. 17221 of 12 March 2010 concerning related-party transactions, as subsequently amended by IAS 24, Key Management Personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any Directors of the Company itself.

In relation to this principle, the Key Management Personnel are identified as:

1. the *Executive Directors*, as they are the Directors with individual management mandates or management duties within the Company;
2. the *Managers* of the main *Business Areas* in which the Mondadori Group operates;
3. the *Central Directors* of corporate functions.

The remuneration package for Key Management Personnel reflects the responsibility they bear in exercising their executive authority to manage the Company, and it is generally structured in the following way:

- i) annual base pay;
  - ii) annual variable pay (MBO);
  - iii) medium-to-long-term variable pay (LTI).
- 
- i) the annual base pay may be made up of the base salary and other forms of remuneration of a non-variable nature. Its weight *may not exceed 70%* of total compensation. The amount of base pay depends on the size of the business managed and on the capacity to contribute to the Group's consolidated results;
  - ii) the annual variable pay (MBO) is attainable by reaching yearly quantitative objectives. These are set beforehand and are linked to performance indicators, both on a consolidated level regarding the Group as a whole and an individual level regarding the business areas or corporate functions. Its weight *may not be lower than 22.5%* of total compensation;

The KPIs (key performance indicators) used (as shown in the table below), are usually taken from budget data and are normally of a quantitative nature, as qualitative objectives are allowed only in exceptional circumstances and in any case only if they are related to objective assessment elements (e.g. time or completion of projects), while they are not subject to discretionary assessments. To guarantee the method adopted, the targets are certified by the Group Control System, at the time of assignment as well as upon completion and the process is transparent and can be tracked at every phase.

Furthermore, the composition of the MBOs for top management is structured so as to ensure assessment and monitoring of the main aspects of management.

KPIs' balance in MBO system		
Office	Group consolidated targets	Business area targets
CEO	<p>100% KPI</p> <p>Net Profit /Group EBITDA Revenue Financial indicators (Free Cash Flow / PFN)</p>	
Key Management Personnel	<p>100% KPI</p> <p>Group EBITDA Financial indicators (Free Cash Flow / PFN) Cost management</p>	
Business area managers	<p>40-50% KPI</p> <p>Group EBITDA Financial indicators (Free Cash Flow / PFN)</p>	<p>60-50% KPI</p> <p>Business Area EBITDA Financial indicators (Free Cash Flow / PFN) Business Area revenue</p>

 weight

The mechanism for the calculation of the annual MBOs provides for a minimum access threshold **equal to 90%** of the objectives assigned and a maximum payable amount of **120%** of the basic bonus, which can be obtained only if **110% of the same objectives are reached or exceeded**.

The target levels underlying the annual objectives (MBOs) are generally established in connection with performance objectives based on budget forecasts and set by the Board of Directors. The amount of variable pay that can be paid out is determined by a comparison of the final result with the objectives that have been assigned.

	Targets achievement	Bonus payment
Targets achievement levels	less than 90%	0
	between 90% and 100%	reduced by 5% (between 95% and 50%) each point less on the achievement of objectives
	100%	100%
	between 100% and 110%	increased by 2% (between 102% and 120%) each point of exceeding the objectives
	more than 110%	120% (cap)

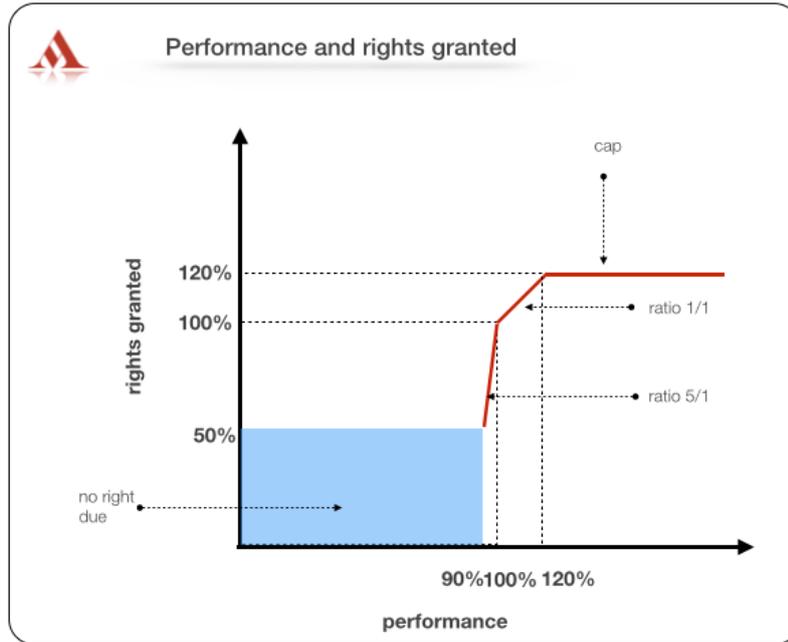
iii) the variable medium – long-term component (LTI). The Shareholders' Meeting of 27 April 2017, at the proposal of the Board of Directors dated 21 March 2017, approved the introduction into the Group, effective from 2017, of a new Performance Share system that provides for the bonus allocation of Mondadori shares against achievement of set three year objectives.

The reasons for the move from a mainly cash-based incentive system to an equity-based system, which is widely adopted in market practice, primarily lie in the desire to create a closer connection between management action and the creation of value for the Company, ensuring the priority of maintaining a strong link between remuneration and performance so as to align the interests of management to those of shareholders, with a view to continuously improving both individual and company performance.

For this reason, the three-year **performance objectives** are comprised of two types of indicators.

1. objectives which refer to the remuneration of the shareholders
  - Net Group Profit accumulated over the period
  - TSR – Total Shareholder Return at the end of the period (comparison between the performance of the share and the performance of the shares listed on the FTSE MIB All Share index)
  
2. operating ratios for the valuation of the share
  - Cumulative Group EBITDA over the period
  - Cumulative Group Free Cash Flow over the period

Each of these objectives contributes in a balanced manner (25%) to the composition of the overall performance results while recognition of the right to receive the shares is commensurate with reaching the target at the end of the vesting period. The mechanism established for calculating entitlements provides, for the Group Net Profit, EBITDA and Free Cash Flow objectives, an access threshold of 90% of the target, with assignment of 50% of the shares, 100% of the bonus if the full result is achieved, and a cap of 120% in the event that the three-year results are exceeded. For TSR, on the other hand, a one-off mechanism will apply.



*Description of the correlation between performance and the rights that are attributed in regard to Net Profit, EBITDA and the Free Cash Flow*

The Shareholders' Meeting approved a "Closed Plan" for the three-year period 2017–2019 reserved to Key Management Personnel (including the executive director Oddone Pozzi) and select second-line managers, who cover roles that have a significant impact on the creation of value for the Group.

The Chief Executive Officer is not included among the beneficiaries of the Plan approved for 2017–2019, as stated in the information documents published in accordance with law, since, pursuant to the resolution of the Board of Directors, he is still covered by the cash-based LTI system in place, which coincides with the duration of his mandate, until the approval of the 2017 financial statements.

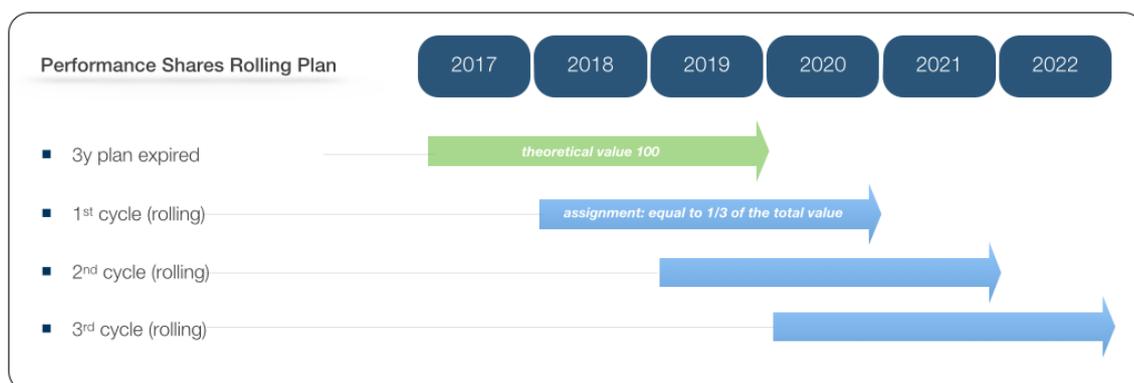
The adoption of the "2017–2019" Closed Plan marks the passage to the Performance Share system. In line with the intentions outlined in the Remuneration Report for 2017, as of 2018, subject to its approval by the competent corporate boards, a "Rolling Plan" will be introduced, as widely adopted in market practice.

The new Rolling Plan will similarly be targeted at Key Management Personnel of the Group and select second-line managers and will be based, subject to the approval of the competent corporate boards, on annual cycles and a three-year vesting period.

The objectives set for each cycle will build on and be consistent with the same KPIs set for the 2017–2019 Plan (Group Net Profit, EBITDA and Free Cash Flow and TSR), and will be tied to the delivery of the targets established for

the three-year plans set each year. This will help keep the top management team focused firmly on their capacity to adapt their efforts to changes in Company strategy and in the general context.

A set number of shares will be assigned to each cycle, which for the 2018–2020 period will be equal to 1/3 of the bonus for 2017.



For the *Chief Executive Officer*, the same LTI structure in place for Key Management Personnel has been proposed for the three-year period 2018–2020, in order to encourage maximum integration among the top management team and guarantee the interests of shareholders (see *Corporate Governance Code*).

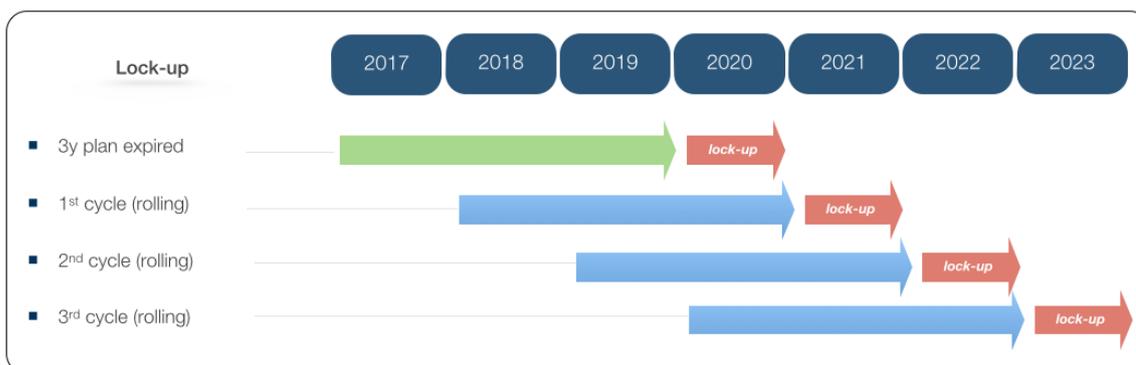
As such, as of last year the CEO has been identified as a beneficiary of the Performance Share system for each annual cycle of the Rolling Plan, with the same three-year objectives and the same pay-out mechanisms applied for management.

In line with his term of office, the Chief Executive Officer will participate, after deliberation of the competent bodies, in the 2018–2020 and 2019–2021 Plans, with a share assignment per cycle equal to 50% of the total amount set for his entire term of office.

At the end of the three-year vesting period, a 12 month **lock up** period will apply on 20% of the shares actually allotted (net of tax). The percentage of shares subject to the lock-up period may be increased by decision of the Board of Directors.

Given that one of the objectives of the remuneration system is to retain people in strategic roles for the good governance of the Company in the medium term, in the event of termination of employment during the vesting period, “**bad leavers**” will automatically lose their entitlement, while for

**“good leavers”** a more favourable package is envisaged (see the details provided in the information document).

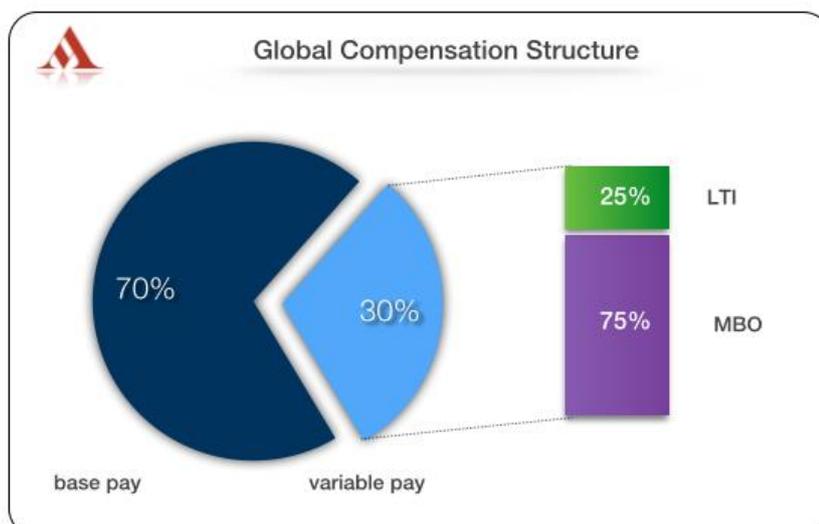


Where significant and specific projects are in place for the strategic development of an individual Business Area, lasting at least two years, with the approval of the competent bodies, a part of medium/long-term variable compensation may be linked to the project and paid out in cash.

In this case, the key manager concerned will receive the compensation set at the end of the project period on the basis of the set targets delivered, calculated on the same basis as for the allotment of shares under the Performance Share system.

The combination of annual variable pay and medium/long-term variable pay is itself a variable percentage, which is not less than 30%, at target, of the total annual remuneration.

As part of the overall variable remuneration, the component tied to medium/long-term performance will have a weighting of no less than 25% on an annual basis, or 7.5% of total remuneration.



## **5 – Malus or Clawback mechanism**

Provision has been made for a clawback mechanism through which the variable component of remuneration already paid can be claimed back or deferred variable remuneration can be withheld, if it was earned on the basis of data that was later shown to be manifestly inaccurate, or through which demand can be made for the repayment of all incentives relative to the financial year (or financial years) in reference to which information is found to have been maliciously altered for the purpose of achieving the results and earning the bonus. Similarly, repayment can be demanded in the event of serious and intentional violations of laws and/or regulations, of the Code of Conduct adopted by the Company, or of Company procedures.

This principle is formalised within the regulation which is available for viewing on the Company intranet.

## **6 – Extraordinary Transactions**

In the event of extraordinary transactions regarding the Group, including but not limited to, corporate acquisitions or disposals, asset disposals, mergers or spin-offs, transfers or conferrals of business units, capital transactions, financial or equity transactions able to impact the market value of the share, and legislative or regulatory amendments with the potential to significantly influence the performance objectives, after consulting with the Committee, the Board of Directors may, if and when it deems necessary, make all changes and additions suitable in order to maintain unchanged the essential and financial contents of the Plans and the KPIs underlying both the short term and medium/long-term plans which concern the Chief Executive Officer.

Any amendments that, based under the same assumptions and with the same objectives, should become necessary with regard to Key Managers may be assessed by the Chief Executive Officer.

## **7 – One-off Extraordinary Bonuses and Special Projects**

From a pay for performance standpoint, we believe that the payment of one-time amounts to managers with particular strategic significance that have distinguished themselves through their exceptional individual efforts constitutes a significant differentiation and meritocratic selection mechanism which assists us in retaining excellent personnel.

Accordingly, cash payments not included among the variable components of remuneration are envisaged occasionally to reward extraordinary performance,

consisting of one-off cash bonuses or the assignment of *set variable bonuses* tied to the delivery of specific projects.

The Chief Executive Officer, with the support of the Central Group Human Resources and Organization Department, is responsible for assessing these results and the corresponding contributions and performance.

## **8 – Equity Incentive Plans**

Under Article 114-*bis* of Italian Legislative Decree 58/1998, equity incentive plans are to be submitted to the Shareholders for approval, and are subject to specific market disclosure requirements, in compliance with the regulations in force. The details and application procedures of such plans are established by the Board of Directors, who are supported by the counsel and recommendations of the Remuneration and Appointments Committee. The Company's risk profile is also carefully considered, and reference is made to the following general principles:

- i. consolidation of the sustainable value creation process for the Company and the Group over the medium to long-term and the provision of incentives and assurance of the loyalty of management through definition of multiple year vesting terms and conditions;
- ii. assignment or exercising of financial instruments subject to achieving company and/or market performance objectives which are predefined and measurable;
- iii. contractual commitments regarding the recipients' tenures with the company.

The Performance Share Plan proposed by the Remuneration and Appointments Committee on 6 March 2018, following approval by the Board of Statutory Auditors, and approved by the Board of Directors on 13 March 2018, will be submitted for approval by the Shareholders' Meeting of 24 April 2018. For a description of the plan, see the information document(s) published in accordance with Article 84-*bis* of the Issuers' Regulation, available on the website [www.mondadori.it](http://www.mondadori.it) (Governance section).

## **9 – Non-monetary Benefits**

No fringe benefits are provided by the Company to the members of the Board of Directors or Key Management Personnel, unless they reside abroad. Key Management Personnel are provided with life and medical insurance in addition to the mandatory insurance coverage required by applicable collective labour agreements.

**10 – Treatment in the event of Termination of Office or the Employment Relationship**

For Executive Directors or Key Management Personnel, the Company does not provide for ex ante agreements covering termination of office or of the employment relationship that are not in line with the recommendations of the Code of Conduct and compliant with the laws and reference union contracts.

**11 – Benchmarks for Setting Policy**

Policy setting takes into consideration market best practices, without any specific reference made to particular corporate entities.

For the purposes of setting the new Group Policy, Mondadori enlisted the support of major consulting companies to outline new medium/long-term incentive plans (Performance Share Plans) and benchmark management compensation levels.

In general terms, the overall remuneration of the Key Management Personnel is set taking into account a market benchmark and a multitude of elements, including the capacity to contribute to results, job performance, and comparability with internal remuneration levels.

## SECTION II – REMUNERATION/COMPENSATION PAID OUT IN 2017

This section of the Report provides an explanation of each of the items that compose the remuneration of the Directors and the Key Management Personnel of the Group, with an indication of compliance with the policies described in the first section of the document published in 2017.

### **PART ONE – IMPLEMENTATION OF THE POLICY**

Over the course of 2017, the operating procedures pertaining to the Remuneration Policy were applied in conformity with the Policy's general aims and principles for that year. These are outlined in Section I of the Remuneration Report, which was approved by the Board of Directors at the recommendation of the Remuneration Committee on 21 March 2017. Section I was also approved by resolution of the Ordinary Shareholders' Meeting on 27 April 2017.

There are principles and procedures for base pay and variable pay that change depending on the recipient; in accordance with the information outlined above, the items that make up the remuneration paid to members of the Board of Directors, the Board of Statutory Auditors and Key Management Personnel in 2017 are structured accordingly.

In particular, please refer to the detailed figures reported in Tables 1, 3A and 3B:

### **A – Remuneration of Directors**

#### Non-executive Directors

According to the definition provided in section I, non-executive directors are directors that do not hold individual management authority or executive positions in the Company or in other legal entities belonging to the Group.

In line with the procedural guidelines set out in the Policy, the following compensation was paid out during the 2017 fiscal year:

- fixed annual compensation for the office of Director, including Non-executive Directors, as determined by the Ordinary Shareholders' Meeting of 23 April 2015. In particular, the Shareholders' Meeting set a fixed annual amount of Euro 10,000 payable, in equal measure, for all the Directors plus an additional 50% for the Chairman.

The individual sums paid out in 2017 are in line with the sums paid out during the previous year (2016) and the previous three-year term of the Board of Directors;

- additional fixed annual remuneration relating to participation, on the part of Non-Executive Directors, in committees set up by the Board of Directors (Internal Control and Risk Management Committee and Remuneration and Appointments Committee). This pay had already been established by the Board of Directors at the recommendation of the Remuneration Committee, and gained the approval of the Board of Statutory Auditors in accordance with Article 2389 of the Italian Civil Code.

The individual sums paid out in 2017 are in line with the sums paid out during the previous year (2016):

- Euro 25,000 for the Chairman,
- Euro 20,000 for Directors who are Committee members.

Additional fixed remuneration has been decided upon for participation of the Directors in the Related Parties Committee for which, in consideration of the significant number of meetings that took place during the year, the attendance fee has been set at Euro 2,000 for each Director who is a member of the Committee, and an additional 50% for the Chairman.

The compensation of Non-Executive Directors is not linked to the Company's economic performance or to the economic performance of the Group as a whole, nor is it linked to any type of performance objective in general.

#### Directors holding key positions, in accordance with the Bylaws: Chairman and Chief Executive Officer

In 2017:

- the remuneration of the Chief Executive Officer, Ernesto Mauri, did not change. It was set by the Board of Directors on 12 May 2015, when it confirmed the remuneration package which had previously been applied, the sole difference being the long-term incentive (LTI) which was reworked to follow the three-year expiration of the mandate.

Said compensation, in line with the principles and purposes of the Policy, is broken down as follows:

- a) fixed compensation: the emolument for the office equal to Euro 1,100,000 and consideration for the non-compete agreement, the duration of which corresponds to the validity of the mandate, plus one year subsequent to the expiration thereof equal to Euro 350,000;

b) *variable assigned component*: referring to the single year objectives (Annual MBO), amounting to Euro 500,000,

KPIs' balance in MBO system 2017		
Office	Group consolidated targets	
CEO	KPI	Group Net Profit 30%
		Group EBITDA 30%
		Consolidated Revenues 10%
		Group Free Cash Flow 30%

 weight

and those for the medium/long-term referring to the entire duration of the mandate which will expire upon approval of the financial statements of 2017, amounting to Euro 2,700,000.

As set out in the Policy, variable components count towards 49% of total remuneration; of the variable components, the portion referring to medium/long-term objectives makes up 64% of variable compensation.

We report that the end of 2017 coincides with the end of the three-year period of reference for the allocation of the LTI cash incentive assigned to the Chief Executive Officer by resolution of the Board of Directors in 2015, on the basis of the following KPIs delivered:

- 1) Group net profit
- 2) Continued performance over the three years (as determined by the payment of annual MBO incentives for each year of the period).

As shown in tables 1) and 3b), the LTI is fully payable as both performance conditions were satisfied.

- The amount of the remuneration of the Chairperson Marina Berlusconi, as resolved by the Board of Directors in its meeting of 12 May 2015, has not changed compared to the corresponding prior three-year period, which consists of a fixed annual amount for the office set at Euro 500,000 in compliance with the specific proposal of the Remuneration Committee and the approval of the Board of Statutory Auditors expressed pursuant to Article 2389 of the Italian Civil Code.

## **B – Remuneration of Key Management Personnel**

According to the definition cited in Section I, Key Management Personnel are those persons having authority and responsibility for planning, managing, and controlling the activities of the Company, directly or indirectly, including any Directors of the Company itself.

The following changes took place over the course of 2017:

- on 9 January 2017, Mr Daniele Sacco was appointed Director of Central Group Human Resources and Organisation;
- Mr Mario Maiocchi resigned as head of the Retail Business Area on 30 March 2017; Mr Pierluigi Bernasconi was appointed to the position on 5 June 2017.

As a result of the organizational changes that occurred, as described above, as of 31 December 2017, the Key Management team was composed as follows:

Key Management Personnel (at 31 December 2017)	
<b>Enrico Selva Coddè</b>	Head of Trade books business area
<b>Pierluigi Bernasconi</b>	Head of Retail business area
<b>Carlo Mandelli</b>	Head of Magazine Italia, Advertising and International business
<b>Carmine Perna</b>	Head of Mondadori France business area
<b>Antonio Porro</b>	Head of Educational Books business area
<b>Daniele Sacco</b>	Head of Group Human Resources and Organization

The following persons also fall under the category of Key Management Personnel:

<b>Ernesto Mauri</b>	CEO
<b>Oddone Maria Pozzi</b>	Executive Director CFO, Director of Group Finance, Procurement and IT

Specifically:

- i. the fixed component, consisting of the base salary and other non-variable cash components, did not change significantly, remaining practically the same overall (+0.3%).
- ii. the annual variable pay (MBO), which is paid out based on the level of achievement of annual budget targets. Also in this case, adjustments introduced led to a 2.1% rise in short-term variable remuneration, tied to the achievement of 100% of the targets.

In 2017 the objectives were generally structured in the following way: 40% were related to Group-wide economic indicators (80–90% for Directors of Corporate Functions), and 60% were related to specific economic indicators on a business area level or corporate function level.

In terms of final results, MBO bonuses payable, including the bonus payable to the Chief Executive Officer, amounted to 89% of theoretical variable remuneration.

KPIs' balance in MBO system 2017		
Office	Group consolidated targets	Business Area / Key Management Pers. targets
Key Management Personnel (CFO, HR)	Group EBITDA (CFO, HR) 40%	KPI Cost Management (CFO, HR) 10-20%
	KPI Free Cash Flow (CFO, HR) 20-40%	
	Labor Cost (HR) 30%	
Head of Business	Group EBITDA 30%	KPI Business Area EBITDA 30%
	KPI Free Cash Flow 10%	
		KPI Business Area Free Cash Flow 20%
		KPI Business Area Revenue / Ebitda Rizzoli Libri 10%

● weight

- iii. the medium/long-term variable component (LTI). With the approval of the remuneration policy for 2017 by the Shareholders' Meeting on 27 April 2017, a new Performance Share Plan was introduced to offer medium/long-term incentives to Key Management Personnel, replacing the Total Cash mechanisms in place up until the end of 2016.

The new system introduced in 2017 did not cover the Chief Executive Officer, as the previous 2015–2017 Plan was still applicable.

The change was considered necessary as part of the broader strategy of aligning executive compensation tools to the market practices most widely endorsed and adopted by listed companies.

The Plan covers the three-year period 2017–2019 and involves the assignment of Company shares to reward the delivery, over the three years, of set quantitative objectives.

The degree to which the objectives are satisfied is measured with reference to the following KPIs:

Performance Targets 2017-19					
Office	Group consolidated targets		% target achievement	% bonus payment	
Targets related to shareholders remuneration	KPI	Net Profit	25%	90%-120%	50%-120%
		Total Shareholder Return (TSR)	25%	on-off	0%-100%
Targets related to share performance	KPI	Group Ebitda	25%	90%-120%	50%-120%
		Free Cash Flow	25%	90%-120%	50%-120%

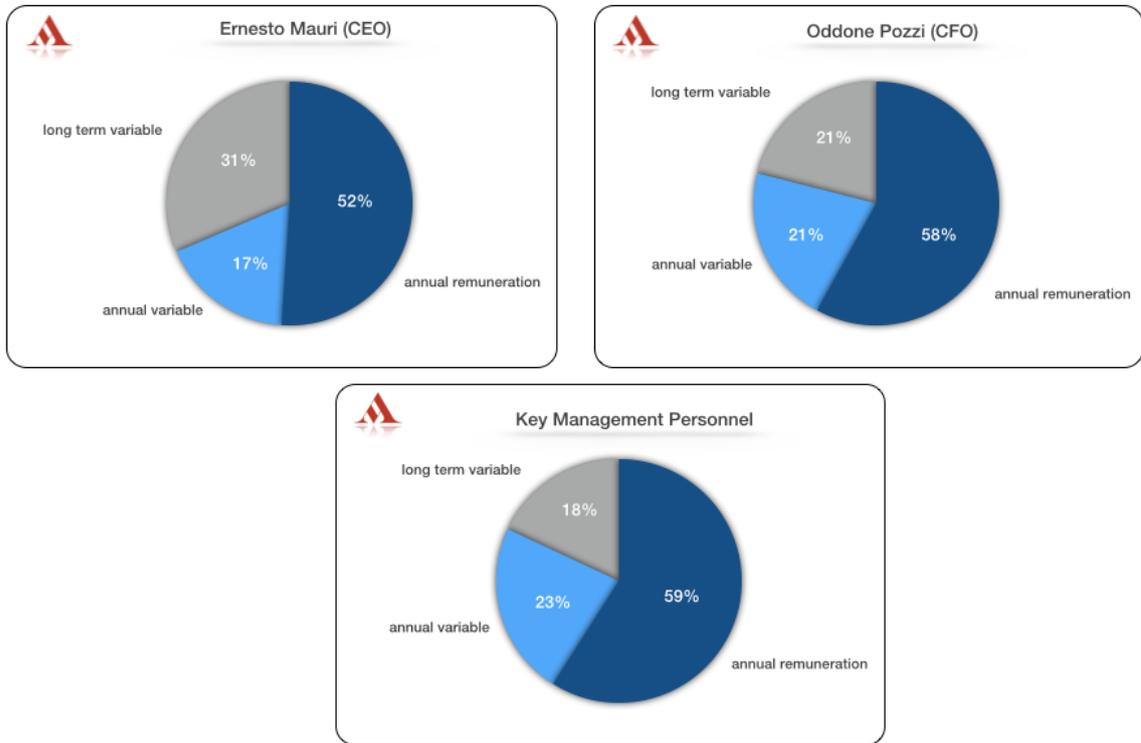
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For the remuneration of Key Management Personnel (excluding the Chief Executive Officer, we confirm that the weightings and percentages of the fixed and variable components of remuneration described above for 2017 are in line with the parameters indicated in the Policy.

In particular:

- i)* the fixed component, which consists of the basic salary and other forms of non-variable remuneration, counts towards approximately 59% (61% in 2016) of total remuneration (compared to a maximum Policy limit on the fixed component of 70% of total remuneration); None of the managers concerned has a base salary of more than 70%;
- ii)* variable, annual and medium/long-term components together represent 41% (39% in 2016) of total annual remuneration (compared to a minimum Policy limit on variable components of 30% of total annual remuneration); None of the managers concerned has a variable remuneration of less than 30%;
- iii)* with respect to total variable remuneration, the component linked to medium/long-term performance has a weighting of 44% (40% in 2016) on an annual basis (compared to a minimum Policy limit on the medium-long term

component of 25% of the total overall variable remuneration). None of the managers concerned has an LTI below the established limit.



***C – Severance Pay in the event of Early Termination of Employment***

During 2017, in compliance with the principles of the Policy, severance pay was paid to one Key Manager, who resigned on 30 March 2017. The amount was lower than the maximum amount set by the national collective bargaining agreement for managers in the Commerce sector.

The total amount is shown in table 1.

**PART TWO – ANALYTICAL DESCRIPTION OF COMPENSATION PAID OUT DURING THE YEAR**

**Schedule No. 7-bis: report on remuneration**

*TABLE 1: Compensation paid out to members of the Board of Directors, members of the Board of Statutory Auditors, Corporate Officers and other Key Management Personnel*

*TABLE 2: Stock options granted to members of the Board of Directors, Corporate Officers and other Key Management Personnel [the table has not been provided as no stock option plans were in place for the reporting period]*

*TABLE 3A: Equity incentive plans not based on stock options, for members of the Board of Directors, Corporate Officers and other Key Management Personnel*

*TABLE 3B: Cash incentive plans for members of the Board of Directors, Corporate Officers and other Key Management Personnel*

**Schedule No. 7-ter: information on the equity interests held by members of the Board of Directors, members of the Board of Statutory Auditors, Corporate Officers and other Key Management Personnel**

*Table 1: Equity interests held by members of the Board of Directors, members of the Statutory Board of Auditors and Corporate Officers*

*Table 2: Equity interests held by other Key Management Personnel*

**Resolution proposal (Article 123-ter(6) of Italian Legislative Decree 58/1998)**

Pursuant to Article 123-ter(6) of Italian Legislative Decree 58/1998, the Shareholders are called to vote in favour of or against Section I of the Remuneration Report. This resolution is non-binding.

In reference to the above, the following resolution is proposed:

*"The Ordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A.*

*resolves*

*to approve Section I of the Remuneration Report, which concerns the remuneration policy to be adopted for members of governing bodies and Key Management Personnel, and the procedures used to adopt and implement said policy."*

Arnoldo Mondadori Editore S.p.A.  
for the Board of Directors

The Chairperson  
Marina Berlusconi

TABLE 1: Compensation paid out to members of the Board of Directors, members of the Board of Statutory Auditors, Corporate Officers and other Key Management Personnel.

(A) Name and Surname	(B) Office	(C) Term of Office	(D) Expiration of Term of Office	(1) Base Pay	(2) Compensation for participation in committees	(3) Non-equity variable compensation		(4) Non-monetary benefits	(5) Other compensation	(6) Total	(7) Fair Value of equity compensation	(8) Severance pay for termination of office or employment	
						Bonuses and other incentives	Profit sharing						
MARINA ELVIRA BERLUSCONI	CHAIRMAN	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	15,000 a) 500,000 b)						515,000			
ERNESTO MAURI	CHIEF EXECUTIVE OFFICER	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a) 1,100,000 b)		3,198,000			350,000 h)	4,658,000			
ODDONE POZZI	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a) 420,000 c)		152,400		6,246		588,646			
PIER SILVIO BERLUSCONI	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)						10,000			
PASQUALE CANNATELLI	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)						10,000			
AINIO PAOLO	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)						10,000			
MARTINA FORNERON MONDADORI	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)						10,000			
ALFREDO MESSINA	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)	20,000 e)					30,000			
DANILO PELLEGRINO	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)						10,000			
ROBERTO POLI	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)						10,000			
ANGELO RENOLDI	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)	3,000 g) 25,000 d)				20,000 f)	58,000			
MARIO RESCA	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)						10,000			
CRISTINA ROSSELLO	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)	20,000 d) 20,000 e) 2,000 g)					52,000			
MARCO SPADACINI	DIRECTOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)	20,000 d) 25,000 e) 2,000 g)					57,000			
FERDINANDO SUPERTI FURGA	CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	60,000 a)					25,000 f)	85,000			
FLAVIA DAUNIA MINUTILLO	STANDING STATUTORY AUDITOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	40,000 a)						40,000			
FRANCESCO ANTONIO GIAMPAOLO	STANDING STATUTORY AUDITOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	40,000 a)						40,000			
KEY MANAGEMENT PERSONNEL	4 (m)			1,417,943 i)		539,800		22,566		1,980,309			
<b>(I) Fees for the company that prepares the financial statements</b>				<b>3,722,943</b>	<b>137,000</b>	<b>3,890,200</b>		<b>28,812</b>	<b>395,000</b>	<b>8,173,955</b>		<b>0</b>	
MARIO RESCA	MONDADORI RETAIL SPA CHAIRMAN	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2019 FINANCIAL STATEMENTS	120,000 a) 80,000 i)						200,000			
FLAVIA DAUNIA MINUTILLO	MONDADORI SCIENZA SPA STANDING STATUTORY AUDITOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2017 FINANCIAL STATEMENTS	10,000 a)						25,196			
	RIZZOLI LIBRI SPA STANDING STATUTORY AUDITOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2018 FINANCIAL STATEMENTS	10,000 a)									
	MONDADORI ELECTA SPA STANDING STATUTORY AUDITOR	11 APRIL 2017 31 DECEMBER 2017	APPROVAL 2019 FINANCIAL STATEMENTS	5,196 a)									
FRANCESCO ANTONIO GIAMPAOLO	RIZZOLI LIBRI SPA STANDING STATUTORY AUDITOR	1 JANUARY 2017 31 DECEMBER 2017	APPROVAL 2018 FINANCIAL STATEMENTS	12,000 a)						12,000			
KEY MANAGEMENT PERSONNEL	3 (m)			641,869 i)		116,000		16,999 o)		774,868		1,434,667 (l)	
<b>(II) Compensation from subsidiaries and affiliates</b>				<b>879,065</b>		<b>116,000</b>		<b>16,999</b>		<b>1,012,064</b>			
<b>(III) Total</b>				<b>4,602,008</b>	<b>137,000</b>	<b>4,006,200</b>		<b>45,811</b>	<b>395,000</b>	<b>9,186,019</b>		<b>1,434,667</b>	

## COLUMN DESCRIPTION

Under "Base pay", the following forms of compensation are shown separately, possibly footnoted and on an accrual basis: i) emoluments approved by shareholders, even if not yet paid out; (ii) attendance fees; (iii) lump-sum reimbursement of expenses; (iv) compensation received for the performance of key roles, as per article 2389, paragraph 3 of the Italian Civil Code (for example: chairman, vice-chairman) (v) base salary before taxes and social security contributions charged to the employee, and excluding mandatory, collectively-bargained social security contributions charged to the company and severance pay accrual. Any other forms of compensation tied to employment (bonuses, other compensation, non-monetary benefits, etc.) are shown in the relative columns, with a footnote specifying payment made for a role in corporate governance and payment made under contract of employment.

"Compensation for participation in committees" is shown on an accrual basis, and they may be shown as an aggregate item. A footnote provides information on which committees the director participated in, and in the event of participation in more than one committee, the compensation received for each one is reported.

The column "Bonuses and other incentives" includes accrued compensation that - based on cash incentive plans - has vested due to the achievement of objectives over the course of the fiscal year, even if it has not yet been paid out. The values of granted or exercised stock options, or of other financial instruments, are not included at any point in this column. That value can be found by summing the figures shown in Table 3B, columns 2A, 3B and 4, row (IV).

In the column "Profit sharing", the sum is indicated on an accrual basis, even though the financial statements and profit distribution plan have not yet been approved.

The column "Non-monetary benefits" shows the value of fringe benefits (on a taxable basis) included any insurance policies or supplemental pension funds.

The column "Other compensation" lists separately, and on an accrual basis, all other possible remuneration that may derive from other services provided. A footnote provides information on any loans, advances or indemnities that have been granted by the company or its subsidiaries to Executive Directors or the Chairman of the Board of Directors, which might represent a form of indirect compensation under certain conditions (which differ from market conditions or standard conditions that can be applied to specific categories of entities).

Column (6) "Total" represents the sum of the items from (1) to (5).

The column "Fair value of equity compensation" shows the fair value - estimated in accordance with International Accounting Standards- on the date the year's accrued compensation was granted as a result of equity incentive plans.<sup>1</sup> This value corresponds to the sum of the figures reported in column 16, row III in Table 2 and in column 12, row III in Table 3A.

1. This item does not refer to the entire allocation of equity compensation over the course of the fiscal year, but only the part which is recorded in the financial statements. This is in keeping with accounting principles that respect the vesting period of the rights to equity compensation, and as such, redistribute the relative cost over the course of the vesting period.

#### **NOTES**

**COLUMN (1): a) emoluments approved by the competent bodies b) compensation for the performance of key roles c) base salary i) fixed employee or associate remuneration**

**COLUMN (2): d) Internal Control and Risk Management Committee e) Remuneration and Appointments Committee g) Related Parties Committee**

**COLUMN (4): o) amount including the value of an apartment provided to one member of the Key Management Personnel residing abroad**

**COLUMN (5): h) non-compete agreement for 2017 f) remuneration of a member of the Supervisory and Oversight Body**

**COLUMN (8): l) referring to severance pay of 1 Key Management Personnel**

**COLUMN (B): m) number of Key Management Personnel in office as at 31/12/2017 including the 1 Manager who resigned on 30/03/2017.**

TABLE 3A: Equity investment plans not based on stock options, for members of the Board of Directors, Corporate Officers and other Key Management Personnel

		Financial instruments assigned in previous years not vested during the year			Financial instrument assigned during the year					Financial instruments vested during the year but not allocated	Financial instruments vested during the year and allocable		Financial instruments accrued during the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and Surname	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value on grant date	Vesting period	Grant date	Market price on assignment	Number and type of financial instruments	Number and type of financial instruments	Value at the vesting date	Fair Value
<b>ODDONE MARIA POZZI</b>	Director												
(I) Fees for the company that prepares the financial statements		Performance Share Plan 2017–2019 (shareholders' meeting resolution of 27 April 2017)			316,233	585,032	1/01/2017-31/12/2019	13/09/2017	1.90				
(II) Compensation from subsidiaries and affiliates		Plan (date of relative resolution)											
<b>(III) Total</b>						<b>585,032</b>							
<b>KEY MANAGEMENT PERSONNEL</b>													
(I) Fees for the company that prepares the financial statements		Performance Share Plan 2017–2019 (shareholders' meeting resolution of 27 April 2017)			1,018,974	1,885,102	1/01/2017-31/12/2019	13/09/2017	1.90				
(II) Compensation from subsidiaries and affiliates		Plan (date of relative resolution)											
<b>(III) Total</b>						<b>1,885,102</b>							(*)

**Notes**

The total (III) is shown in reference to columns (5), (11) and (12).

For each person concerned and for each incentive plan of which s/he is a recipient, the table shows:

- the financial instruments assigned in previous years which had not vested during the year, with indication of the vesting period;
- the financial instruments assigned during the year, with indication of their fair value at the grant date (1), the vesting period, the grant date and the market price on assignment;
- the financial instruments vested during the year but not allocated;
- the financial instruments vested during the year and allocable, with indication of their value at the vesting date;
- the fair value of the financial instruments accrued during the year.

The **vesting period** is the period falling between the date the right to participate in the incentive system is assigned and the date on which the right vests.

**Financial instruments vested during the year but not allocated** indicates financial instruments whose vesting period ended during the year, but which were not allocated to recipients due to the non-fulfilment of the performance conditions for the allocation of the financial instrument (e.g., non-achievement of performance objectives).

The **value at the vesting date** is the value of the vested financial instrument, even if not yet allocated (e.g., due to applicable lock-up clauses) at the end of the vesting period.

Should the data be represented in aggregate form, the following information must be shown in the Table:

- the total number of financial instruments not vested held at the start of the year, with indication of their average expiration;
- the total number of financial instruments assigned at the start of the year, with indication of their total fair value, average expiration and the average market price on assignment;
- the total number of financial instruments vested during the year but not allocated;
- the total number of financial instruments vested during the year and allocable, with indication of their total market value;
- the total fair value of the financial instruments accrued during the year.

(1) the fair value at the grant date should be shown with reference to all financial instruments assigned under each Plan and not with reference to each instrument.

(\*) cumulative target for the three-year period, for which there can be no accruals before the end of the period.

**2017**

**TABLE 3B: Cash incentive plans for members of the Board of Directors, Corporate Officers and other Key Management Personnel\***

\* It should be noted that this Table includes all incentive plans of a monetary nature, for both the short and medium-to-long term.

A Name and Surname	B Office	(1) Plan	(2) Bonuses for this year			(3) Bonuses from previous years			(4) Other Bonuses **
			(A) Payable/Paid	(B) Deferred	(C) Deferral Period	(A) No longer payable	(B) Payable/Paid	(C) Still Deferred	
<b>ERNESTO MAURI</b>	CHIEF EXECUTIVE OFFICER								
(I) Fees for the company that prepares the financial statements		Plan 2015-2017 BoD 05/02/2015	450,000 a)				900,000 b)		498,000
(II) Compensation from subsidiaries and affiliates									
<b>ODDONE MARIA POZZI</b>	executive DIRECTOR								
(I) Fees for the company that prepares the financial statements									152,400
(II) Compensation from subsidiaries and affiliates									
<b>(III) Total</b>			<b>1,800,000</b>				<b>900,000</b>		<b>650,400</b>
<b>KEY MANAGEMENT PERSONNEL</b>									
(I) Fees for the company that prepares the financial statements									539,800
(II) Compensation from subsidiaries and affiliates		Plan 2017-2019 BoD 05/06/2017		400,000 c)					116,000
<b>(III) Total</b>				<b>400,000</b>					<b>655,800</b>
<b>(IV) Total</b>			<b>1,800,000</b>	<b>400,000</b>			<b>900,000</b>		<b>1,306,200</b>

a) refers to objectives achieved in 2017 which are payable subject to conditions spanning three years (2015–2017)

b) refers to objectives accrued in previous years which are payable subject to conditions spanning three years (2015–2017)

c) this refers to objectives which are subject to further conditions, to be verified on 31/12/2019

\*\* In column (4) Other Bonuses indicates the bonuses for the year which are included in the total amount in tab.1 column 3.

The total (III) shows the sum of all columns except column (2C).

“Column 2A” shows bonuses accrued for objectives achieved during the fiscal year, and which have been paid or are payable as they are not subject to further conditions (Upfront compensation).

“Column 2B” shows bonuses linked to objectives to be achieved during the fiscal year or subsequent years, but which are not payable as they are subject to further conditions (deferred bonus).

“Column 3A” shows the sum of deferred bonuses from previous years that are to be paid at the beginning of the fiscal year, but that are no longer payable due to the failure to meet the relative conditions.

“Column 3B” shows the sum of deferred bonuses from previous years which are to be paid at the beginning of the fiscal year, have been paid during the fiscal year, or are still payable.

“Column 3C” shows the sum of deferred bonuses from previous years that are still to be paid at the beginning of the fiscal year and have been still further deferred.

The column “Other Bonuses” shows bonuses accrued during the fiscal year that are not explicitly included in specific ex ante incentive plans.

Should the data be represented in aggregate form, the following information must be shown in the Table:

- total bonuses for the year, divided into paid bonuses and deferred bonuses, with information on the average deferral period of the latter;

- total bonuses from previous years, divided into bonuses that are no longer payable, paid bonuses, and bonuses that are still deferred;

- other total bonuses.

**Schedule No. 7-ter reporting information on the equity participation of members of the Board of Directors, members of the Board of Statutory Auditors, Corporate Officers and other Key Management Personnel**

The following tables report information on the equity participation in Arnoldo Mondadori Editore S.p.A. of Board Members and Statutory Auditors, as well as that of Key Management Personnel in aggregate form. It should be specified that, unless otherwise noted, the listed shares are held directly by the shareholder.

**TABLE 1: Equity participation of members of the Board of Directors, members of the Statutory Board of Auditors and Corporate Officers**

Name and Surname	Office	Investee Company	Number of shares held at the end of the previous fiscal year	Number of shares bought	Number of shares sold	Number of shares held at the end of the current fiscal year
Marina Elvira Berlusconi	Chairperson	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Ernesto Mauri	Chief Executive Officer	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Pier Silvio Berlusconi	Director	Arnoldo Mondadori Editore S.p.A.	172,000	-	-	172,000
Pasquale Cannatelli	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Martina Forneron Mondadori	Director	Arnoldo Mondadori Editore S.p.A.	137,127	-	-	137,127
Danilo Pellegrino	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Roberto Poli	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Odone Maria Pozzi	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Angelo Renoldi	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Mario Resca	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Cristina Rossello	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Paolo Ainio	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Marco Spadacini	Director	Arnoldo Mondadori Editore S.p.A.	8.000 <sup>1</sup>	-	-	8.000 <sup>1</sup>
Alfredo Messina	Director	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Ferdinando Superti Furga	Chairman of the Board of Statutory Auditors	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Francesco Antonio Giampaolo	Standing Statutory Auditor	Arnoldo Mondadori Editore S.p.A.	-	-	-	-
Flavia Daunia Minutillo	Standing Statutory Auditor	Arnoldo Mondadori Editore S.p.A.	-	-	-	-

<sup>1</sup> shares held by spouse.

**TABLE 2: Equity participation of other Key Management Personnel**

Number of Key Management Personnel	Investee Company	Number of shares held at the end of the previous fiscal year	Number of shares bought	Number of shares sold	Number of shares held at the end of the current fiscal year
7	Arnoldo Mondadori Editore S.p.A.	-	-	-	-

Equity participation in the listed parent company and its subsidiaries - on the part of members of the Board of Directors and Board of Statutory Auditors, Corporate Officers and Key Management Personnel - is reported in the form of a table.

In particular, the number of shares held in each company is reported alongside the name of each member of the Board of Directors, each member of the Board of Statutory Auditors, and each Corporate Officer, while this information is reported in aggregate form for other Key Management Personnel. The shares are divided into the following categories:

- shares held at the end of the previous fiscal year;
- shares bought during the current fiscal year;
- shares sold during the current fiscal year;
- shares held at the end of the current fiscal year.

In addition, the table shows the security and its terms.

The table includes all individuals who, at some point during the current fiscal year, held office as a member of the Board of Directors, as a member of the Board of Statutory Auditors, as a Corporate Officer or as a member of Key Management Personnel.

**Resolution proposal (Article 123-ter(6) of Italian Legislative Decree 58/1998)**

Pursuant to Article 123-ter(6) of Italian Legislative Decree 58/1998, the Shareholders are called to vote in favour of or against Section I of the Remuneration Report. This resolution is non-binding.

In reference to the above, the following resolution is proposed:

*"The Ordinary Shareholders' Meeting of Arnoldo Mondadori Editore S.p.A.*

*resolves*

*to approve Section I of the Remuneration Report, which concerns the remuneration policy to be adopted for members of governing bodies and Key Management Personnel, and the procedures used to adopt and implement said policy."*

Arnoldo Mondadori Editore S.p.A.  
for the Board of Directors

The Chairperson  
Marina Berlusconi