

CONSOLIDATED NON-FINANCIAL STATEMENT

**PURSUANT TO ITALIAN
LEGISLATIVE DECREE 254/2016**

INTRODUCTION

On 6 December 2014, **Directive 2014/95/EU** of the European Parliament and Council came into force, introducing the obligation for large undertakings which are public-interest entities to disclose “non-financial and diversity information”. The Directive reflects the Community legislature’s wish to promote, through the disclosure of information regarding the main corporate practices concerning non-financial sustainability, the transition towards a sustainable economy that is able to combine long-term profitability with social justice and environmental protection. That process of change is only possible thanks to companies that implement transparent management policies aimed at achieving tangible results both in the financial and non-financial spheres.

In Italian law, the Directive was transposed in **Legislative Decree 254** of 30 December 2016, which requires large public-interest entities to publish a consolidated non-financial statement (NFS). Specifically, to the extent necessary to facilitate comprehension of the company’s activities, its performance, results and impacts, the NFS is required to provide information relating to five areas of reference, namely: environmental matters, social matters, employee-related matters, respect for human rights, and anti-corruption and bribery matters. With reference to these areas, the Decree additionally requires a description to be provided of the main risks generated and/or incurred, policies adopted by the company, relative performance indicators and the company’s business model and organisational arrangements (Article 3(c)(1)).

As a large public-interest entity, the Mondadori Group (also “the Group” or “Mondadori” or “the Company”) is subject to the requirements of the Decree for the reporting year 2017.

In accordance with those requirements, this NFS includes a qualitative and quantitative

description of the non-financial performance of the Company in relation to the most significant topics falling within the five areas identified by the Decree. Specifically, for each aspect the following information is reported:

- a brief description of reasons underlying the **materiality** of the non-financial topics reported, the assessment of which is provided below and in the Note on Methodology;
- for each material aspect, a brief description of the **main risks** generated and/or incurred that are linked to the undertaking’s operations, its products or services and its business relationships, including the supply chain;
- a brief description of the **policies** adopted by the company in relation to the topic of reference;
- a description of the **business model and organisational arrangements** adopted by the Mondadori Group to manage material topics;
- a description of the key **performance indicators** for understanding the outcomes delivered through the application of those policies.

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THE PROCESS FOR IDENTIFYING MATERIAL TOPICS

As in the past, to identify the most relevant non-financial topics, the Mondadori Group updated its materiality analysis in line with the principles set out by the GRI Sustainability Reporting Standards (GRI Standards), published in 2016 by the Global Reporting Initiative (GRI).

The list of non-financial topics of interest for the Group were updated on the basis of several preliminary analyses (benchmarking and media analysis), a survey of the contributions received from the directors of Mondadori business areas (Trade Books, Educational, Retail, Magazines Italy, and Mondadori France), and a map of

the information requirements of significant stakeholders and the topics highlighted by the GRI Standards and the “G4 Sector Disclosures – Media” sector supplement.

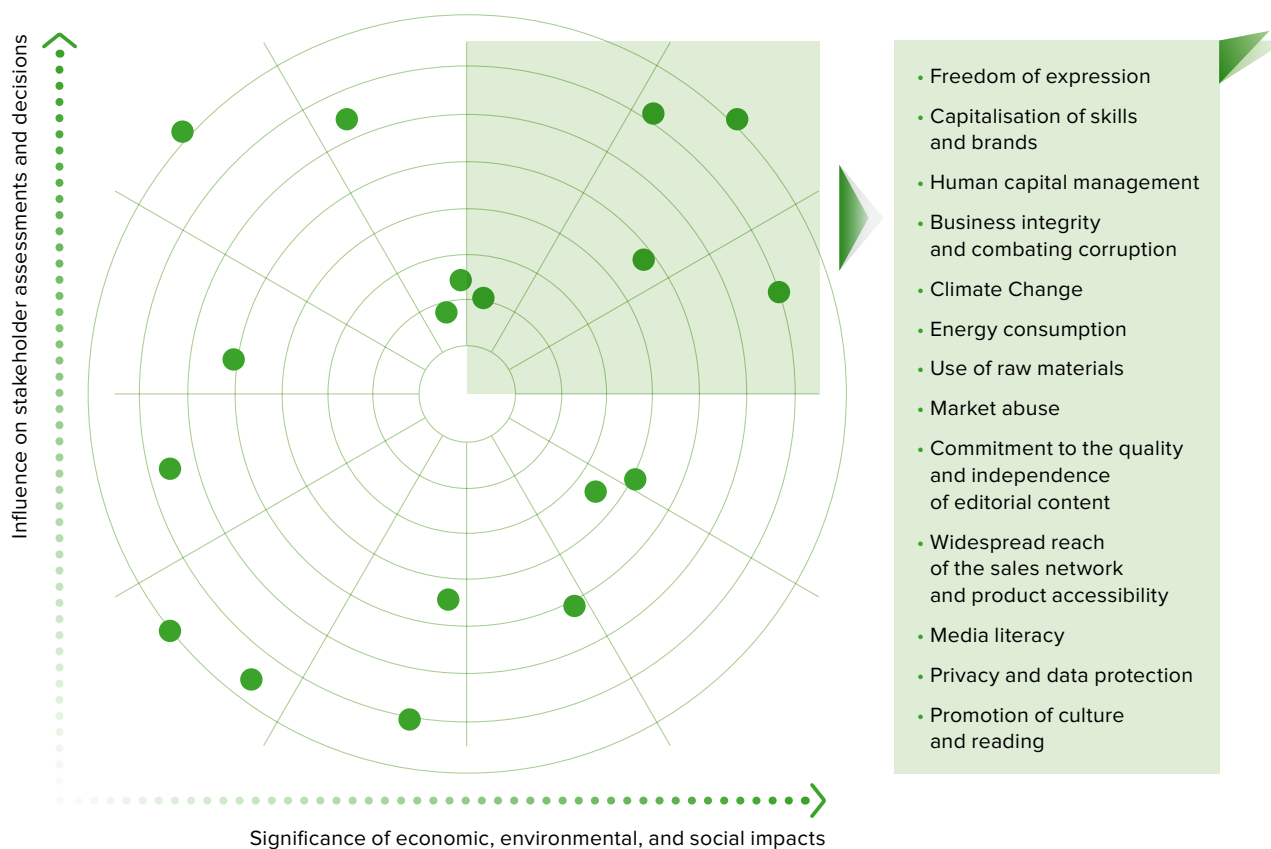
Then, in order to identify the material issues for the Company and its stakeholders from these topics, a workshop was held with the Sustainability Committee, during which its members prioritised the topics on the basis of their relevance for the Group.

The materiality of each topic for the Company was determined considering the perception of the members of the Sustainability Committee as well as an assessment of:

- the commitment and the policies adopted by the Group regarding each issue;
- the impact of each issue on the Company’s ability to deliver its long-term objectives;
- the risks connected with the non-financial matters analysed.

To determine the materiality of the sustainability topics for stakeholders, the outcomes of the preliminary analyses conducted were taken into consideration, i.e.:

- the **media analysis**, aimed at examining the importance of each sustainability issue in the media and for public opinion;
- **benchmarking** with other, Italian only, companies in the media sector, to understand the sustainability issues they address most and which are therefore of greatest relevance at the industry level;
- analysis of the main papers published by associations, NGOs and industry organisations, in order to identify the most recurrent topics linked to the sustainability issues for the **sector** in which the Group operates;
- the **mapping of the main sustainability issues** addressed by policy makers, major world stock markets and the most important and influential non-governmental organisations in their papers and reports.



The combined outcomes of these analyses led to the identification of the material non-financial matters necessary to facilitate comprehension of the Company's operations, its performance, results and impact, and hence subject to reporting in the non-financial statement of the Mondadori Group. The material topics, as identified through the analysis, are shown in the materiality matrix on page 82.

Alongside the non-financial matters, business topics of greatest importance for the Company and its stakeholders were identified: **focus on core business, defence of the digital strategy and synergies between strategic business lines**. These topics are addressed in further detail in the Report on Operations.

OUR BUSINESS MODEL

The operational and organisational framework adopted by the Mondadori Group has been extensively transformed in recent years to help ensure the economic sustainability of the undertaking in an era of rapid and irreversible change in the markets where it operates, driven by the general economic recession, on the one hand, and by technological developments in the media sector, on the other.

Nevertheless, the mission and values guiding the day-to-day management of the Group's operations have not changed, or in some cases have been strengthened. This is witnessed by the Group's endorsement of the external codes and regulations that shape its governance and control system, such as, to name just one, the Corporate Governance Code for Listed Companies.

In preparing an Organisation, Management and Control Framework, the Mondadori Group set itself the objective of adopting a set of protocols which, together with the system for assigning powers and responsibilities, other organisational tools and internal controlling, form an adequate system able to prevent criminal and administrative offences and raise awareness among employees and contractors of the rules of conduct to be followed when carrying out their duties. The Framework and the rules of conduct set out in the Framework are constantly updated and considered appropriate

given the various needs of the companies belonging to the Group.

Both of these documents make reference to a set of ethical standards, identified by legislation, regulations and codes of conduct, which the Company incorporated into its own regulations in 2012 with the adoption of a new Code of Ethics that extends to all Group companies. Organised by category of stakeholder, the Mondadori Code of Ethics sets out general ethical principles (respect for human rights and law, transparency, protection of industrial property and the independence of information) and specific principles in relation to the different stakeholders, including customers, suppliers, employees, investors, the community, institutions and the environment.

The Code of Ethics therefore outlines the set of principles and rules of conduct to be followed by the directors, employees and contractors of Group companies within the scope of their respective roles and duties.

The principles of the Code of Ethics are practical expressions of the general obligations of diligence, fairness and loyalty that are required to be shown in the performance of work duties and in all conduct in workplaces connected with the Mondadori Group.

The Code of Ethics and its provisions are incorporated into the contractual obligations undertaken by counterparties. Any infringement of the Code of Ethics therefore constitutes breach of contract, entailing the legal consequences, including the termination of the contract or engagement and claims for damages.

Compliance with the principles set out in the Code of Ethics is required not only of employees and contractors, but is also incorporated into supply agreements, together with the obligation to comply with Community legislation and minimum working age laws.

As a sign of its growing commitment to sustainability, the Group has officially endorsed the more specific policies sponsored by industry associations, such as Confindustria's Charter for Equal Opportunities and the Valore D Manifesto, undertaking a commitment to promote talent regardless of gender differences.

Other steps have been taken over the years, such as the creation and constant updating of operational rules and procedures governing specific company operations, to make compliance with a changing legal framework part of daily work practices and to respond effectively to the new needs that have emerged from changes in business.

In other cases, such as, for example, the issue of privacy in journalism, the Mondadori Group makes reference to external regulations and standards, in this specific case the *Code of Ethics for the Processing of Personal Data in the Practice of Journalism*, envisaged by Italian Legislative Decree 196/2003 and incorporated into the *Charter of Duties of Journalists*.

With regard to environmental sustainability, in 2012 the Group adopted an environmental policy designed to reduce the impact associated with its operations. That policy has delivered important outcomes in terms of major reductions in greenhouse gas emissions and, above all, the growing use of certified paper for our products. Specific operating rules have also been adopted for other issues of lesser or non-material relevance, such as waste management.

In 2017, guidelines for the publication of content and material on Group websites were set out and officially released in February 2018. The guidelines, together with the training provided to journalists on copyright on the Web and on privacy in journalism, organised by the Legal and Corporate Affairs Department, address issues connected with the handling of sensitive editorial content in newspapers and on online news channels, websites and social media accounts belonging to the Mondadori Group.

MAIN NON-FINANCIAL RISKS

As required by Italian Legislative Decree 254/2016, and as part of our commitment to continuously improve how the impacts of our operations are managed, the Mondadori Group identified the main risks, generated or incurred, concerning the five areas identified by the law (environment, society, employees, human rights and anti-corruption and bribery) and linked to the undertaking's

operations, its products or services and its business relationships, including, where relevant, the supply chain.

Those risks were the subject of a Group risk assessment process by management, which found, however, that non-financial risks were not judged to be critical or of priority. For this reason, the risks have not been included in the section *Internal Control and Risk Management System* (pp. 64-68).

Risks connected with environmental matters

Climate change is a major issue for all industries, and no less so for publishing. In the publishing sector, greenhouse gas emissions are mainly connected with energy consumption, transportation (for distribution and logistics operations, for instance, or for business travel) and the production cycle of paper products. Growing concern on the part of stakeholders and institutions over climate change

could lead to reforms, in the future, to current legislative provisions governing emissions.

Alongside the risks connected with climate-changing emissions are the risks connected with energy efficiency, which if low could adversely affect economic benefits, and the risks connected with potential interruptions in paper supply.

Main risks	Mitigation measures
Growing pressure from stakeholders and national and international institutions with regard to climate change.	Constant oversight of the issue through the continuous monitoring of overall greenhouse gas emissions produced by the various operations of the Group (such as product distribution and logistics and business travel) and the identification of useful actions to reduce them.
Loss of opportunities for economic benefits due to a reduced effectiveness of energy efficiency measures.	Constant oversight of the issue through the continuous monitoring of overall energy consumption, strong focus on the upgrading of IT equipment and the identification of energy efficiency measures in workplaces.
Interruptions in the production process due to the scarcity of paper as a raw material.	Progressive extension across the Group of the use of FSC and PEFC certified paper.

Risks connected with social matters and respect for human rights

The publishing business inevitably involves risks connected with human rights (freedom of expression and privacy protection) and with social matters (media literacy, product accessibility),

especially given the role that media companies play in promoting and spreading culture. Such risks can arise due to actions taken within the Group, but also action taken by entities outside the Group.

Main risks	Mitigation measures
Critical situations tied to potential restrictions on the freedom of expression of authors.	Continuous monitoring of the variety of titles published.
Critical situations tied to the publication of editorial content considered sensitive, the loss of customer data and recent reforms to privacy laws (GDPR).	Constant monitoring of sensitive data management practices and continuous improvement through the development of specific initiatives across the various company functions (training for journalists, updating of security standards, fact-checking before publication, work group for the implementation of the GDPR).
Critical situations tied to changes in society, where readership numbers are constantly falling.	Continuous improvement in cultural promotion initiatives through the involvement and engagement of the public on issues for which the Group chooses to be a spokesperson (also in conjunction with franchisees).
Growing pressure from the public to distribute publications of quality, which are impartial and which respect diversity.	Continuous improvement in editorial content and product quality.
Changing demands of the readership with regard to tools for accessing editorial content.	Monitoring of the accessibility demands of the readership and the ability of the company to respond to those needs.
Critical situations connected with the inability of readers to distinguish the value of products sold, where suitable instruments are not provided to facilitate a fair understanding of mass media.	Continuous improvement in initiatives to raise awareness and educate the public as to the need to critically assess and analyse mass media.
Critical situations connected with a potential increase in competitive pressures in reference markets, which could lead to unfair competition by competitors.	Constant oversight of the issue through specific training for internal personnel and networking activities with trade associations.

Risks connected with anti-corruption and bribery matters

National and international institutions and organisations are leading the battle against corruption and bribery. As the phenomenon remains widespread, it represents a major hurdle to development, with an enormous impact on economic growth, both in the private and public sectors.

In this context, even for the Mondadori Group, the risks connected with the infringement of internal rules and relevant laws in force are of priority concern.

Main risks	Mitigation measures
Critical situations tied to behaviours that do not comply with the regulations by people who act in the name or on account of the Group.	Constant oversight of the issue through organisational measures and controls to help ensure and spread proper conduct (training for personnel, selection of products tied to the sale of publications, monitoring of the legal framework, networking with other companies in the sector).

Risks connected with employee-related matters

The success of the Mondadori Group is built squarely on the shoulders of the people who act in its name or on its account. Their skills and motivation are fundamental factors in the development of innovative solutions able to correctly interpret changes in reference markets and in society, which are necessary to guarantee the financial

performance of the Group and its competitive standing.

That is why the Mondadori Group is committed to establishing real dialogue with its people, to encourage a greater understanding of our respective needs and to find solutions to any issues that may exist.

Main risks	Mitigation measures
Risk that technological development, changes in the competitive playing field and low turnover rates may lead to a progressive skills gap in personnel.	Creation and implementation of engagement and training plans able to provide the skills needed to develop innovative solutions able to correctly interpret changes in the market and in society.
Risk that a more dynamic jobs market may make it harder to retain people and attract new talent.	Continuous improvement in human resources management practices, in terms of negotiation, career management support, training, retention and job rotation policies, and employees survey.

CORPORATE SOCIAL RESPONSIBILITY OF MEDIA COMPANIES

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 in the third millennium 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 desires and expectations of the customer play a decisive role in every sector, but particularly so in the publishing sector: the participatory dimension of consumption and the instant interaction with the end user have revolutionised the way we create and distribute products.

Even when it comes to content creation, the user can contribute at various levels to enriching and improving the product with their own contributions or through the exchange of ideas and observations within the community and directly with the author of a text, article or post.

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.

Editorial independence

The parent company Arnoldo Mondadori Editore S.p.A. is a listed company on the Milan stock exchange. The share capital at 31 December 2017, fully paid up and subscribed, amounted to 67,979,168.40 euro, divided into 261,458,340 ordinary shares with a par value of 0.26 euro each. The majority shareholder is the holding company Fininvest S.p.A., owned by the Berlusconi family.

Significant shareholdings

Shareholder	% interest of share capital
Fininvest S.p.A.	53.3%
Silchester International Investors Llp	12.4%

In 2017, the Group received 2,420,121 euro in grants from the Italian and French governments, Italian and foreign organisations and private individuals, including: 739,890 euro from the owners of the Segrate head office (Generali Immobiliare Italia Sgr S.p.A. and Generali Real Estate Sgr S.p.A.) for system renovation work on the complex; 138,845 in training subsidies (47,701 euro in Italy and 91,144 euro in France); 446,300 euro in grants for the publication of books or the organisation of events and exhibitions (in Italy); 1,095,085 euro in tax credits under French tax law (CICE – Crédit d'impôt pour la compétitivité et l'emploi).

The Group did not receive any other contributions from entities or organisations connected with governments, or from other entities, associations, NGOs, non-profit organisations or private individuals.

Grants received (Euro)	2017	2016
Italy	1,233,892	496,400
France	1,186,229	1,124,964
Total	2,420,121	1,621,364

Finally, the Mondadori Group did not make donations of any kind to political parties or politicians during the year.

Freedom of expression

As Italy's leading publisher of books, the Mondadori Group 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 of its workers 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.

To quantify this commitment and its effects in practice, a small sample was taken into consideration of the new titles published by the various imprints of the Group. Within the sample, each title was associated to one or more sustainability topics – environmental sustainability, human rights or social sustainability – for a total of 68 new titles (out of a total of 2,471 for 2017). The outcome, shown in the following table, illustrates the range of issues presented to the public, considering only a sample selection which does not cover the full range of new titles in 2017 that could be classified by this criterion.

Author	Title	Publisher	Topic
Carlo Ratti	<i>Architettura Open Source</i>	Einaudi	Sustainable architecture
Salvatore Settis	<i>Architettura e democrazia</i>	Einaudi	Sustainable architecture
Marco Bobbio	<i>Troppa medicina</i>	Einaudi	Right to health
Corrado Augias	<i>Questa nostra Italia</i>	Einaudi	Defence of the territory
Leonardo Caffo	<i>Fragile umanità</i>	Einaudi	Ecology
Matteo Bussola	<i>Sono puri i loro sogni</i>	Einaudi	Right to education
Christian Raimo	<i>Tutti i banchi sono uguali</i>	Einaudi	Right to education
Francesca Borri	<i>Ma quale paradiso?</i>	Einaudi	Religious extremism
Donatella Di Cesare	<i>Terrore e modernità</i>	Einaudi	Religious extremism
Anna Migotto - Stefania Miretti	<i>Non aspettarmi vivo</i>	Einaudi	Religious extremism
Luigi Zoja	<i>Nella mente di un terrorista</i>	Einaudi	Religious extremism
Marco Aime - Luca Borzani	<i>Invecchiano solo gli altri</i>	Einaudi	Inclusion
Eugenio Borgna	<i>Le parole che ci salvano</i>	Einaudi	Inclusion
Federico Varese	<i>Vita di mafia</i>	Einaudi	Rule of law
Massimo Recalcati	<i>I tabù del mondo</i>	Einaudi	Freedom of expression
Mohsin Hamid	<i>Exit West</i>	Einaudi	Migration
Chimamanda Ngozi Adichie	<i>Dear Ijeawele</i>	Einaudi	Gender equality
Pascale Hédelin - Gaëlle Duhazé	<i>Cité Babel</i>	ElectaKids	Inclusion
Maia Brami - Karine Daisay	<i>Le monde est ma maison</i>	ElectaKids	Equality
Francesco Cognetti - Mauro Boldrini	<i>Insieme contro il cancro</i>	Mondadori	Right to health
Lisa Casali	<i>Quanto basta</i>	Mondadori	Responsible consumption
Tristan Gooley	<i>How to Read Water</i>	Mondadori	Ecology
Andrea Segré	<i>Il gusto per le cose giuste</i>	Mondadori	Quality education
Dave Eggers	<i>Heroes of the Frontier</i>	Mondadori	Marginalisation
Nadia Murad	<i>The Last Girl</i>	Mondadori	Religious extremism
Chantal Borgonovo	<i>Una vita in gioco</i>	Mondadori	Inclusion
Raffaele Cantone - Francesco Caringella	<i>La corruzione spazza</i>	Mondadori	Rule of law
Antonio Dikele Distefano	<i>Chi sta male non lo dice</i>	Mondadori	Migration
Filippo Grandi	<i>Case, rifugi e ritorni</i>	Mondadori	Migration
Shi Yang Shi	<i>Cuore di seta</i>	Mondadori	Migration
Jean Tirole	<i>Économie du bien commune</i>	Mondadori	Sustainable development
Valentina Bartolucci	<i>Capire il conflitto, costruire</i>	Mondadori	International conflicts
Giorgio Gallo	<i>la pace</i>	Università	
Ernesto Apa			
Tommaso Edoardo Frosini	<i>Diritti e libertà in Internet</i>	Mondadori	Human rights / freedom of expression
Oreste Pollicino		Università	
Marco Bassini (a cura di)			
	<i>Il diritto dell'acqua</i>		
Fulvio Maria Palombino	<i>Una prospettiva internazionalistica</i>	Mondadori Università	International law / ecology
Maurizio Guandalini			
Victor Uckmar (a cura di)	<i>Future Energy, Future Green</i>	Mondadori Università	Ecology / sustainable development
	<i>Collaborare nelle diversità</i>		
Mario Martinelli	<i>Cooperative learning e persone con disabilità, difficoltà svantaggi</i>	Mondadori Università	Social integration

Author	Title	Publisher	Topic
Milena Santerini	<i>Da stranieri a cittadini Educazione interculturale e mondo globale</i>	Mondadori Università	Migration / social integration
Daniel Pittet	<i>La perdono padre</i>	Piemme	Protection of children
Barbara Garlaschelli	<i>Non volevo morire vergine</i>	Piemme	Disability
Vladimir Luxuria	<i>Il coraggio di essere una farfalla</i>	Piemme	Diversity
Luigi Celeste - Sara Loffredi	<i>Non sarà sempre così</i>	Piemme	Marginalisation
Giovanni Impastato	<i>Oltre i cento passi</i>	Piemme	Rule of law
Luong Ung	<i>First They Killed My Father</i>	Piemme	Persecution (political/ racial/religious)
Nello Scavo	<i>Perseguitati</i>	Piemme	Persecution (political/ racial/religious)
Jean-Baptiste Malet	<i>L'Empire de l'or rouge</i>	Piemme	Food safety
Antoine Vayer (a cura di)	<i>Je suis le cycliste masqué</i>	Piemme	Sport and doping
Cece Bell	<i>El Deafo</i>	Piemme Ragazzi	Disability
Alberto Melis	<i>Da che parte stare</i>	Piemme Ragazzi	Rule of law
Miriam Dubini	<i>Il viaggio di Sama e Timo</i>	Piemme Ragazzi	Migration
Nadia Hashimi	<i>The Sky at Our Feet</i>	Piemme Ragazzi	Gender equality
Daniela Palumbo	<i>Noi, ragazze senza paura</i>	Piemme Ragazzi	Gender equality
Fabrizio Altieri	<i>L'uomo del treno</i>	Piemme Ragazzi	Persecution (political/ racial/religious)
Simona Ercolani	<i>I ragazzi del "Bambin Gesù"</i>	Rizzoli	Right to health
Severino Cesari	<i>Con molta cura</i>	Rizzoli	Right to health
Progetto Giovani	<i>Loop</i>	Rizzoli	Right to health
Mammaiuto Lab	<i>Indietro non si torna</i>	Rizzoli	Conflicts
Emanuele Severino	<i>Il tramonto della politica</i>	Rizzoli	Rights of children – education
Rina Mae Acosta	<i>The Happiest Kids in the World</i>	Rizzoli	Ecology
Michele Hutchison	<i>Endangered</i>	Rizzoli	Ecology
Tim Flach	<i>Overview. A New Perspective of Earth</i>	Rizzoli	Ecology
Benjamin Grant	<i>The Italian Book of Innovation</i>	Rizzoli	Innovation
Cristiano Segnanfreddo (a cura di)	<i>Guardare la mafia negli occhi</i>	Rizzoli	Rule of law
Elia Minari	<i>La giustizia non è un sogno</i>	Rizzoli	Rule of law – right to health
Raffaele Guariniello	<i>Far Web</i>	Rizzoli	Rule of law / freedom of expression
Matteo Grandi	<i>Sangue giusto</i>	Rizzoli	Migration / inclusion
Francesca Melandri	<i>Mercanti di uomini</i>	Rizzoli	Migration / rule of law
Loretta Napoleoni	<i>The Bad-Ass Librarians of Timbuktu</i>	Rizzoli	Persecution (political/ racial/religious)
Joshua Hammer	<i>Il pesce che scese dall'albero</i>	Sperling	Disability
Francesco Riva	<i>Die Macht des Vergebens</i>	Sperling	Persecution (political/ racial/religious)
Eva Mozes Kor			

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, with regard to tools and languages, is of crucial importance in the development of the Company’s publishing activities.

Since 2012, Mondadori France has focused closely on integrating the paper channel with the digital channel. As part of this process, key importance has been placed on the creation of a single platform to simultaneously produce the print and web versions of each publication, with the latter also available for tablets and smartphones (iOS and Android) thanks to specially created mobile apps. Digital content can be accessed on 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). In 2017, a project was started up in partnership with an IT company to produce a software programme (in English) for the automatic extraction and indexing of texts from the Web. Employing artificial intelligence and neurolinguistic programming, one of the purposes of the software is to “validate” citations of public figures to avoid the spread of fake news. A partnership with Mondadori France is now underway to create a French-language version of the software.

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. 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.

Among our Italian magazines, the various initiatives of the monthly kid’s magazine *Focus Junior* are an example. Now in its third run (due to end in 2018), the *Diventa giornalista* competition run by *Focus Junior* magazine is designed to introduce children and teenagers 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 kids have the chance to explore their interests and develop critical writing skills, 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 run (2015–16 school year) and over 1,000 took part in the second (2016–17 school year), the topic of which was nature. The competition for the 2017–18 school year instead focuses on journalism in the digital age. Finally, since the January issue of the magazine for children aged 8–13, *Focus Junior* has published the section *Junior Reporter News*, a four-page “newspaper” presented in typical newspaper style, produced in collaboration with readers of the magazine. Young reporters are invited to write articles and reviews on topics connected with science, history, geography, travel, video games and movies, famous people, and personal experiences, complete with photos and drawings.

Although it has no media literacy programmes of its own, Mondadori France participates in educational initiatives for students, such as *Semaine de la presse à l’école* (press week at school), organised by CLEMI (*Centre pour L’Education aux Media et à l’Information*, an organisation linked to the French Ministry of Education), for which it provides teachers and classes with copies of its magazines. In addition, its popular science magazines are partners of the *Fête de la science* (festival of science) organised by the Ministry of Higher Education, Research and Innovation. As media partner of the initiative, the magazine *Science & Vie* reports on festival events and its journalists take part in selected events.

Making products and services accessible

Mondadori Education encourages facilitated, inclusive and collaborative learning in all the titles in its catalogue through the select use of graphic layouts and specific methods to help students develop effective study methods and build their skills. To promote inclusive learning, eight training seminars were organised in 2017 for teachers, exploring the topic of *Choosing inclusiveness as the vanguard of new schooling*. Events like these are motivated by the firm belief that all pupils have their own special learning needs – be it for physical, biological or physiological reasons or psychological or social reasons – for which schools need to offer suitable, personalised solutions. Professor Gabriele Zanardi, psychologist, therapist, neuropsychologist, and editorial consultant for Mondadori Education, organised a modular training programme, which each group of teachers could personalize by choosing from the four training modules: *Specific learning disorders and special learning needs*, *Metacognitive empowerment and strategies*, *Facilitation, simplification and testing* and *Flip, divergent thinking and cognitive styles*. Each topic involved three levels of depth: a first level of front-line lessons; a second level involving focus groups, working groups, and classroom simulations (to directly test the application methods); and a third level involving simulations and single case reports.

Finally, the digital offerings of the two educational arms of the Mondadori Group were combined to create HUB Scuola, a digital learning platform launched in September 2017, which brings together into the one environment the products and tools of the two publishers. Easy to use, free-of-charge and innovative, HUB Scuola is designed to meet the need for more collaborative, digital and inclusive learning in schools. It is the richest digital learning platform in Italy, featuring authored content, innovative services, and next-generation features to expand teaching programmes and encourage a more stimulating, multimedia learning experience. A single password is all it takes to unlock the digital offering of the two publishers: users can enter either their Mondadori Education credentials or their Rizzoli Education credentials to login and access all their books and digital content.

HUB Scuola brings together the most advanced digital tools and the best of the educational offering of the two publishers in a single digital environment, which has been optimized as a whole for use on any device. HUB Scuola integrates and facilitates traditional learning, supporting and empowering innovation in schools. HUB Scuola offers free-of-charge digital features and services designed to be adapted to the needs of students and teachers, from the more *analogical* minded to the boldest *experimenters*.

HUB Scuola enables digital objects to be shared and multimedia content on the Web to be aggregated. Countless resources and lots of tools, all in the one place: videos, audio recordings, media galleries, conceptual maps, interactive and self-corrected tests, a complete virtual map which can be shared, and certified interdisciplinary content. All the tools are designed to encourage inclusive learning and build personalised subject-based programmes.

HUB Libro is the digital book from Mondadori Education and Rizzoli Education: a paperback filled with videos, animation and interactive, self-corrected exercises; a tool that can be personalised with notes, audio recordings and drawings, to facilitate learning for all pupils, including those with special learning needs thanks to the accessible version; a means to encourage discussion and interaction between the class and teacher, thanks to its social media features. The virtual classroom is a fundamental tool for collaborative learning, giving teachers the ability to assign different interactive exercises to students or groups of students, and receive them back automatically corrected by the system, and to check the progress made by the class by setting objectives and monitoring results. With HUB Libro, lesson plans, Web resources, documents, presentations, voice notes, conceptual maps, and multimedia content can be shared with the entire class or with select groups only.

Relations with users

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 social networks has continued to develop quite significantly in terms of numbers of contacts and the infinite possibilities for creating events, often wide-reaching and collaborative.

In 2017 the Mondadori Group was present on major social media platforms with corporate accounts designed 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 12,056 in 2017 (+16.9% compared 2016), those on LinkedIn reached 57,909 (+27.8%), while the number of fans on Facebook rose to 8,659 (+109.9%). The Instagram account, created in 2016 for the #NoiDellaMondadori project to present the new extended company family incorporating colleagues from Rizzoli Libri and Banzai, reached a total of 2,162 followers at the end of December 2017, almost twice the number at the end of 2016 (1,110).

Mondadori Education also organises roadshows involving events across the country. One example was the *Dentro l'arte* cycle of 12 seminars (February 2016–May 2017), organised to coincide with the publication of the art history textbook *Dentro l'arte. Contesto, metodo, confronti* by Irene Baldriga (Electa Scuola). The seminars were targeted at high school art history teachers and explored the dissemination of Italy's artistic heritage, with a view to encouraging debate and strengthening dialogue between schools and museums.

The topics of the seminars, explored in different ways over the two years, focused on "Teaching heritage across schools and museums: art history as a driver for sustainable development and active citizenship" and "Art history and cultural heritage professions. Plans for alternating school and work". Each seminar was organised as a conversation between Professor Irene Baldriga and heritage experts, historians and art critics, each dedicated to specific aspects evoking the host venue. In 2016, the roadshow stopped in Palermo, Perugia, Padua, Naples, Milan, and

Rome, hosted by the prestigious venues of the Palazzo Abatellis, Umbria National Gallery, Musei Civici agli Eremitani, Vatican Museums, National Archaeological Museum of Naples, Museo del Novecento, and MAXXI. At the end of each seminar, teachers were taken on a guided tour of the host museum, designed specifically for them to expand on the issues addressed during the seminar itself. Building on the success of the roadshow in 2016, *Dentro l'arte* stepped up its programme in 2017 to cover other provincial centres, including: the Pinacoteca Nazionale di Ferrara, the Fondazione Pino Pascali di Polignano a Mare, the Gallerie dell'Accademia in Venice, as well as museums in Lucca and Salerno.

To present the new edition of the historic Italian dictionary *Nuovo Devoto-Oli*, an integrated project was organised in 2017 for the recovery and development of the use of the Italian language. For Mondadori Education, the publication of the *Nuovo Devoto-Oli* represents not just an important publishing initiative, but above all a cultural responsibility. The *Devoto-Oli* dictionary belongs to the linguistic heritage of Italy and all Italians, and it is the duty of the publisher to make sure it continues to do so. Mondadori Education is a guarantor for the protection of that heritage. As such, it is committed to ensuring that the dictionary remains the basis of the linguistic knowledge and skills of Italians today and tomorrow. This important task is undertaken by everyone at the publisher, first and foremost by its authors, whose works educate and shape students at all levels of schooling into aware citizens and competent professionals. This is the power of the word – the most precious asset for a publishing company.

In the belief that the words we use and the lexicon we choose define who we are, the campaign #leparolechesono was launched, together with the competition *Ritratti di parole*. The underlying idea was to give a portrait of ourselves using words, rather than images, as usually happens on the Internet and social media. Language is the most important asset we have. Our knowledge of language is essential for presenting ourselves to the world.

At the same, two large-scale events were organised, entitled *#LE PAROLE CHE SIAMO. Il Nuovo Devoto-Oli e la lingua italiana*, at Mondadori bookshops in

Rome and Rizzoli bookshops in Milan. The events involved discussion panels, conducted by the linguist Giuseppe Antonelli and supported by the writers Luca Serianni and Maurizio Trifone, on the issue of linguistic and lexical skills and on the need to regain our knowledge of the Italian language through suitable tools.

The success of the events has led Mondadori Education and *Il Nuovo Devoto-Oli* to reach out to schools with a new project for 2018. The initiative #leparolechesiamo #icittadinichediventiamo is a project targeted at all middle schools and high schools, which invites students to write essays on the topics “the words we are” and “the citizens we become”, convinced as we are that by reflecting on the meaning of these words, we can build a community of active citizens and develop civic conscience.

Privacy protection

The protection of privacy and personal data is a material topic for the Group and a matter of constant focus in company processes and in updating internal policies. In pursuing its business, the Mondadori Group as a whole has adopted a series of tools and internal procedures to ensure full compliance with data protection legislation currently in force (Legislative Decree 196/03 or “Data Protection Code”) and the instructions of the Data Protection Authority. Recently, the Group initiated a major process for the reorganisation and updating of all internal procedures to comply, by 25 May 2018, with the requirements of European Regulation No. 679/2016 – the General Data Protection Regulation (GDPR).

Privacy is a priority for all of the Mondadori Group and is ensured through the adoption of specific procedures for the processing of personal data that comply with applicable laws and are constantly monitored and updated. Mondadori publishes, and constantly updates, its privacy, personal data processing, and cookies policies on all Group websites.

At the end of 2010, a Customer Relationship Management (CRM) department was established

with the objective of developing an integrated customer relationship management system able to guarantee greater personal data protection for customers and greater data quality. CRM is a single organisational unit that collects the personal data of the customers of all business units and develops IT processes to reconcile customer data across the different Group companies. The building of the Mondadori customer database was completed in October 2012.

The CRM database has enabled the identification and reconciliation of the data of every single customer registered by the Group, including magazine subscribers and readers of books published by the Mondadori Group, purchasers of products through the e-commerce platforms of the Mondadori Group, customers signed up to loyalty programmes promoted by Mondadori Retail as a Payback partner, customers registered on Mondadori Group e-learning platforms, and members of on-line communities. By bringing together and organising all this wealth of information, the Group has been able to develop targeted marketing campaigns and special initiatives, while guaranteeing every single customer the right to modify or withdraw the consent originally given for the processing of their data upon initial registration.

The year 2017 marked an important moment in the ongoing process of updating the Mondadori Group’s privacy documentation, with the study, analysis and planning of the Group’s future data protection framework to comply with the new statutory provisions introduced by European Regulation No. 679/2016. Over 2017, an in-depth gap analysis was completed, together with the preliminary planning of remediation and implementation activities, which were started up in the last quarter of 2017.

Two Group companies have already implemented tools in recent years to monitor privacy complaints from customers and control bodies: Mondolibri, a Mondadori Retail business unit engaged in the sale of books through a book club formula; and Inthera, a Group company specialized in strategy and the design and development of marketing solutions based on data and content management.

For Mondolibri, 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 laws in force.

In the period from 2015 to 2017, no complaints were received from external parties (customers) or from control bodies, and no cases of data loss occurred.

Inthera carries out its business operations using both proprietary databases and third-party databases (customers and suppliers). The protection of personal data is managed in compliance with applicable laws and, in particular, the provisions of the Data Protection Code, thus fulfilling all legal obligations. To this end, Inthera always provides data subjects with a suitable privacy notice containing all the information required by law and, in particular, the contact persons to which each data subject can refer to request the modification or cancellation of their personal data. Such requests may be made in different ways (email, telephone, and letter).

Where requests are made by data subjects for the cancellation of their personal data from databases, Inthera removes the personal data of the requesting party from its databases, thus preventing any subsequent use.

In line with the changes adopted at Group level in relation to the protection of personal data, and considering their relevance for the execution of Inthera's specific activities, the company provides the Mondadori Group's general management with its ongoing support in order to consolidate its compliance with data protection laws and in particular new Regulation (EU) No. 679/2016.

In France, where public opinion is more sensitive to privacy issues and the legislative and oversight framework is different to Italy's, Mondadori France receives a much higher number of complaints from high-profile public figures and show business celebrities alleging infringement of their privacy and image rights by its magazine. The table below shows the number of complaints filed in the period 2015–2017.



Source of complaints	2017	2016	2015
Control bodies	-	-	-
External persons	81	92	82
Total	81	92	82

Specifically, in 2017 two cases involved the magazine *TéléStar*, one case involved *Grazia*, and 78 cases involved *Closer*. No instances of data loss occurred over the three years.

Penalties

The total amount of penalties paid in 2017 fell compared with the previous year: in relation to tax fines, a total of 26,385 euro was paid under a VAT notice of assessment in Italy, while in France no tax fines were imposed on Mondadori France over the three-year period; economic penalties consisted of out-of-court settlements with counterparties and damages rulings.

Fines

Euro/million	2017	2016	2015
Italian tax fines	0.03	0.08	1.32
French tax fines	-	-	-
Italian economic penalties	0.73	0.97	0.65
French economic penalties	0.63	0.91	-
Total	1.39	1.96	1.97

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 2017 there were 2 cases in Italy; although it declined in 2017, the phenomenon is more relevant in France, where the publication of rulings largely regards magazines about celebrities.

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Non-monetary penalties

Number of cases	2017	2016	2015
Non-monetary penalties Italy	2	3	2
Mondadori France: publications of rulings	4	12	18
Total	6	15	20

Combating corruption and bribery

As stated on pages 83–84, the Organisation, Management and Control Framework and the rules of conduct of the Framework – in the various versions prepared for the different companies, all of which are constantly updated – together represent a reasonably effective system of defence in the fight against corruption in all the businesses and sectors of the Group.

Regarding 2017, and generally over the period 2015–2017, no cases of corruption or bribery involving employees or suppliers in Italy were found to have occurred, and no legal action was initiated or pending against the Group or its employees for alleged corruption in Italy. In relation to Mondadori France, only one case was reported in 2017, which was promptly intercepted and the employee involved was given a warning.

Similarly, no legal action was initiated or pending over the period 2015–2017 against the Mondadori Group for alleged collusive practices or infringements of antitrust and anti-monopoly law.

Alongside the constant updating of the Organisation, Management and Control Framework to include new offences of relevance for the Company's business model and work to adapt the Framework in the light of legislative reforms and to each individual company belonging to the Group, employees are provided training to ensure they effectively understand the Company's rules and regulations.

In 2017, following updates to the Frameworks of Mondadori Electa and Rizzoli Libri, training was

provided to 130 employees (including parent company personnel). Delivered in e-learning format, the course was successfully completed by 70% of the staff involved.

Updates to the Framework in 2018 will include the preparation of a whistleblowing policy, in compliance with Italian Law 179/2017 (Provisions for the protection of persons reporting crimes or irregularities learned in the course of their public or private employment).

HUMAN RESOURCES

Transformations in the sectors in which the Mondadori Group operates, together with changes within the Company, in both organisational and business 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 business.

Workforces

As at 31 December 2017, the Group employed a total of 3,026 people (-7.2% on 2016 mainly due to the disposal of the book logistics business unit). Of that figure, 74% was employed by consolidated Italian companies (2,228 employees), while the remaining 26% was employed by consolidated foreign companies (Mondadori France and, since 2016 only, Rizzoli International Publications, headquartered in New York, which entered the consolidation perimeter in April 2016: headcount figures for the company are shown in the table on p. 104).

Headcounts	2017	2016	2015
Italy	2,228	2,411	2,200
International	798	850	851
Total	3,026	3,261	3,051

The tables below show the headcounts for consolidated Italian companies (Italy) and Mondadori France (France). Figures for Rizzoli International Publications are not included, except where specifically indicated.

In addition to the employee headcount, figures are also provided, for the Italy perimeter, of the average number of temporary workers for the year, divided by business area (temporary worker numbers show seasonal trends, in particular regarding retail and the Christmas season); and for Mondadori France, of the average number of freelance workers (or *pigistes*, the majority of whom journalists):

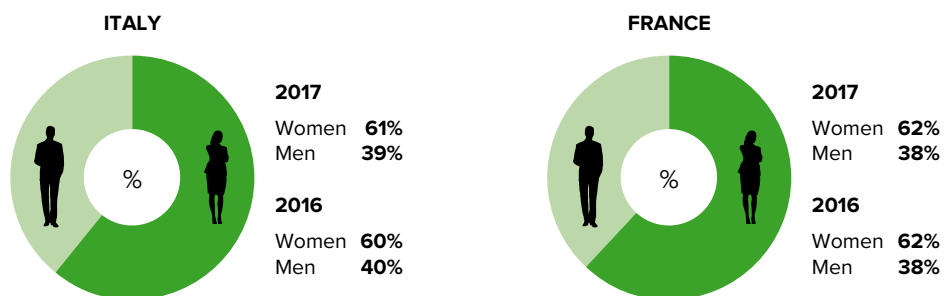
Italy	2017	2016	2015	France	2017	2016	2015
Temps				Pigistes			
Headquarters	18	15	18				
Books	38	47	44				
Magazines	39	46	61				
Retail	82	84	75				
Total	177	192	198	Total	386	378	367

Hirings and terminations Italy		2017		2016		2015	
Gender	Age	Number	%	Number	%	Number	%
HIRINGS							
Women	< 30 years	19	17%	14	18%	22	10%
	30-50 years	50	46%	37	49%	110	51%
	> 50 years	2	2%	1	1%	14	7%
Total women		71	65%	52	68%	146	68%
Men	< 30 years	9	8%	8	11%	4	2%
	30-50 years	26	24%	15	20%	51	24%
	> 50 years	3	3%	1	1%	13	6%
Total men		38	35%	24	32%	68	32%
Total hirings		109	100%	76	100%	214	100%
Turnover rate (new employees)		4.89%		3.15%		9.73%	
TERMINATIONS							
Women	< 30 years	15	5%	14	5%	12	6%
	30-50 years	87	30%	117	45%	65	33%
	> 50 years	48	16%	44	17%	27	14%
Total women		150	51%	175	67%	104	53%
Men	< 30 years	2	1%	3	1%	2	1%
	30-50 years	76	26%	64	25%	55	28%
	> 50 years	64	22%	19	7%	36	18%
Total men		142	49%	86	33%	93	47%
Total terminations		292	100%	261	100%	197	100%
Turnover rate (leaving employees)		13.11%		10.83%		8.95%	

Hirings and terminations France*		2017		2016		2015	
Gender	Age	Number	%	Number	%	Number	%
HIRINGS							
Women	< 30 years	5	16%	6	22%	1	5%
	30-50 years	7	23%	13	48%	11	50%
	> 50 years	5	16%	1	4%	0	0%
Total women		17	55%	20	74%	12	55%
Men	< 30 years	4	13%	4	15%	4	18%
	30-50 years	8	26%	3	11%	3	14%
	> 50 years	2	6%	-	-	3	14%
Total men		14	45%	27	6%	10	45%
Total hirings		31	100%	27	100%	22	100%
Turnover rate (new employees)		4.13%		3.37%		2.59%	
TERMINATIONS							
Women	< 30 years	3	5%	1	1%	3	4%
	30-50 years	21	32%	30	45%	27	39%
	> 50 years	18	28%	18	27%	20	29%
Total women		42	65%	49	73%	50	72%
Men	< 30 anni	1	2%	3	4%	1	1%
	30-50 anni	16	25%	8	12%	13	19%
	> 50 anni	6	9%	7	10%	5	7%
Total men		23	35%	18	27%	19	28%
Total terminations		65	100%	67	100%	69	100%
Turnover rate (leaving employees)		8.66%		8.35%		8.11%	

* Hirings and terminations by Mondadori France do not include fixed-term employment contracts (CDD); nevertheless, turnover rates have been calculated considering all employees at the end of each year for consistency with the other tables.
Hirings and terminations under fixed-term employment contracts (CDD) are high as this kind of contract is widely envisaged under French labour law.

The following tables show the percentage breakdown of the workforce by gender, age, area of activity, and qualification in 2017 and 2016 for Italy and France.



Workforce by age

Italy						France					
2017			2016			2017			2016		
Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men
<30	2%	68%	32%	<30	2%	64%	36%	<30	3%	72%	28%
30-50	66%	62%	38%	30-50	68%	61%	39%	30-50	56%	63%	37%
>50	32%	59%	41%	>50	30%	58%	42%	>50	40%	61%	39%

Workforce by business area

Italy						France					
2017			2016			2017			2016		
Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men
Corporate	21%	52%	48%	Corporate	15%	51%	49%	Corporate	25%	59%	41%
Books	27%	70%	30%	Books	31%	64%	36%	Magazine	57%	62%	38%
Retail	18%	59%	41%	Retail	20%	58%	42%	Digital	5%	50%	50%
Magazine	34%	62%	38%	Magazine	25%	67%	33%	Advertising	13%	75%	25%
Digital					9%	48%	52%				

As of 2017, Digital Italy personnel have been redistributed to Magazines, for the most part, and to Corporate (shared services and CRM).

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Workforce by employment level

Italy						France					
2017			2016			2017			2016		
Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men
Executives	5%	23%	77%	4%	25%	75%	Cadres	39%	66%	34%	38%
Middle managers	13%	53%	47%	13%	53%	47%	Employés	11%	77%	23%	12%
Office workers	69%	64%	36%	66%	64%	36%	Journalistes	50%	57%	43%	50%
Journalists	13%	71%	29%	13%	70%	30%					
Workers	0.01%	21%	79%	4%	28%	72%					

All employees in Italy and in France are covered by collective bargaining agreements.

Italy	2017			2016		
	Total	Women	Men	Total	Women	Men
Graphics publishing staff ¹	68%	61%	39%	64%	61%	39%
Journalists	13%	71%	29%	12%	70%	30%
Sales ²	20%	56%	44%	24%	52%	48%

¹ including Industry executives

² including Sales executives

France	2017			2016			
	Total	Women	Men		Total	Women	Men
Employés et cadres des Editeurs de presse Magazine	50%	68%	32%	Employés des Editeurs de presse Magazine	12%	78%	22%
				Cadres des Editeurs de presse Magazine	37%	65%	35%
Journalistes	50%	57%	43%	Journalistes Nationale Syntec	50%	58%	42%
					1%	20%	80%

In 2017, the two labour agreements covering newspaper office workers and middle managers were merged into one agreement, whereas, due to the disposal of NaturaBuy, no employees are covered by the Nationale Syntec agreement.

Permanent employment contracts cover 98.5% of employees in Italy and around 97% of employees in France (CDI). The percentage of fixed-term contracts is slightly higher in France, at 2.9%: CDD (Contract à Durée Déterminée) are temporary 18-month contracts that can be extended up to a maximum of 36 months.

	Italy							France					
	2017			2016				2017			2016		
	Total	Women	Men	Total	Women	Men		Total	Women	Men	Total	Women	Men
Permanent ¹	98.5%	61%	39%	98.5%	60%	40%	CDI	97.1%	62%	38%	95.9%	62%	38%
Fixed-term	1.5%	76%	24%	1.5%	75%	25%	CDD	2.9%	86%	14%	4.1%	79%	21%

¹ including apprentice contracts

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

	Italy							France					
	2017			2016				2017			2016		
	Total	Women	Men	Total	Women	Men		Total	Women	Men	Total	Women	Men
Full-time	88%	58%	42%	88%	57%	43%	Full-time	95%	61%	39%	94%	61%	39%
Part-time	12%	86%	14%	12%	84%	16%	Part-time	5%	82%	18%	6%	83%	17%

All employees, regardless of their employment contract, are entitled to parental leave. In Italy, almost 4% of employees took parental leave (mostly women, at 96%), while in France almost 2% took parental leave (mostly men, 61%).

Italy	2017			2016		
	Women	Men	Total	Women	Men	Total
Employees entitled to parental leave ¹	1,369	859	2,228	1,449	962	2,411
Employees who took parental leave	93	4	97	106	4	110
Employees returning to work after parental leave	93	4	97	99	3	102
% returning after parental leave	100%	100%	100%	93%	75%	93%

¹ For consistency with other workforce tables, figures are shown as at 31 December; it should be underlined that, with regard to the employees that took parental leave, the total number includes those not covered by the end-of-year headcounts because of terminations/resignations

France	2017			2016		
	Women	Men	Total	Women	Men	Total
Employees entitled to parental leave ¹	469	282	751	500	302	802
Employees who took parental leave	7	11	18	25	4	29
Employees returning to work after parental leave	7	9	16	24	4	28
% returning after parental leave	100%	82%	89%	96%	100%	97%

¹ For consistency with other workforce tables, figures are shown as at 31 December; it should be underlined that, with regard to the employees that took parental leave, the total number includes those not covered by the end-of-year headcounts because of terminations/resignations

The following table shows figures for the workforce employed in New York (at the publisher's offices and the book store) for 2016-17.

Employees at Rizzoli International Publications	2017			2016		
	Total	Women	Men	Total	Women	Men
Age	47	25	22	48	27	21
<30 years	6	5	1	6	6	-
30-50 years	23	12	11	24	13	11
>50 years	18	8	10	18	8	10
Employment level						
Executives	13	4	9	13	4	9
Office workers	34	21	13	35	23	12
Full-time	40	20	20	42	22	20
Part-time	7	5	2	6	5	1
Business area						
Publishing	36	19	17	36	19	17
Book store	11	7	4	12	8	4
Permanent	47	25	22	48	27	21
Fixed-term	-	-	-	-	-	-
Total	47	25	22	48	27	21

Organisational developments

In line with plans in place in recent years to focus more on core business areas, and with a view to achieving greater flexibility in logistics management and reduce operating costs as of 2018, in May 2017 the warehouses and logistics and distribution operations for the Group's Trade Books and Educational areas and the Retail business unit were outsourced to CEVA Logistics S.p.A. through the transfer of the logistics business units of Mondadori Libri and Mondadori Retail. As part of the reorganisation of those activities, a Group Logistics department has been created, organised by business areas, with the objective of ensuring the proper management of the logistics services provided by the outsourcer, constant alignment with business requirements, and the adoption of market best practices.

For Books, regarding both the Trade and Educational segments, work has continued on the

integration of organisational structures, operating processes, and IT systems to support the company Rizzoli Libri.

Specifically in relation to Trade Books, the framework for copyright operations has been rationalised by integrating the Rizzoli Copyright department into Trade general management, and organisational and process studies have been conducted on the Copyright departments and editorial areas of each of the publishing companies to identify opportunities for improvement through the comparison made of the various frameworks in place.

In an effort to expand publishing operations further and strengthen their capacity for market action, editorial responsibility for the Rizzoli and Fabbri Kids sector, along with their marketing units, has been brought under the Kids business unit.

Finally, corporate transactions to facilitate the integration process further included the sale and transfer of the Trade business unit belonging to Rizzoli Libri S.p.A. to Mondadori Libri S.p.A. and the

merger by acquisition of the companies Sperling & Kupfer Editori S.p.A. and Edizioni Piemme S.p.A. into Mondadori Libri S.p.A., both effective as of 31 December 2017. In relation to the Educational area, a Digital Operations unit and an Event Marketing unit have been set up for the coordinated management of the digital operations and event marketing processes of Mondadori Education and Rizzoli Education. In addition, the migration of the latter onto the Group's IT systems has been completed.

With regard to the Retail business unit, in view of the major development plan to expand the franchise network of bookshops and the need to maximise the integration and efficiency of service levels in the channel, the Sales department was reorganised to create a Direct Stores Sales department and Franchise Stores Sales department, both of which report directly to the CEO.

Turning to the corporate departments of the parent company, to support integration and transformation processes more effectively, the organisational framework of the central Human Resources and Organisation Department was overhauled through the adoption of a matrix structure. Under the new framework, HR Business Partners have been appointed for each Group business unit and Centres of Expertise (CoE) created to manage HR processes across all business units, including talent management, remuneration policies, benefits, labour cost, payroll, HR IT systems and organisational development.

Finally, we report two organisational changes in Mondadori France Group: the entry of new top management at the advertising agency Mondadori Publicité, which consequently changed its name to Mondadori MediaConnect, and the assumption of responsibility for digital operations by the executive director of the motoring, infotainment and nature division.

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.

Regarding the Books area, dealings with trade unions in 2017 focused on the transfer of the logistics business units of Mondadori Libri and Mondadori Retail to CEVA Logistics Italia S.r.l. (April 2017), the mergers by acquisition of Sperling & Kupfer and Edizioni Piemme into Mondadori Libri S.p.A. and the transfer to the latter of the Trade business unit of Rizzoli Libri S.p.A. (December 2017, effective as of 31 December 2017).

In the Magazines area, the two-year state of crisis declared in July 2015 was brought to a close in June 2017. For Mondadori Scienza, the individual incentive plan and redundancy scheme agreed at the end of 2016 will continue until September 2018.

In the Retail area, the closure of the Palermo megastore has had no impact on personnel, as a part of the staff was taken on by OVS, which bought the physical premises of the store, while the remaining employees were transferred to a new store, of smaller size, opened in Palermo.

The minimum notice periods required by the applicable collective bargaining agreements (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.

With regard to Mondadori France, efficiency measures continued in 2017, with the headcount cut by around 40 people (10 through the disposal of the NaturaBuy business unit).

Also in France, the minimum notice periods required by collective bargaining agreements for the introduction of operational changes (one to two months depending on whether length of service is more or less than two years for journalists and office workers, and up to three months for middle managers) were respected, as were legal terms for the involvement of trade union representatives.

During the year, dealings with trade unions focused on mandatory annual negotiations (*Négociation annuelle obligatoire* – NAO) for the updating of the remuneration and gender equality plan and on negotiations on trade union rights and the right to switch off. Negotiations on copyright (started in 2016) and on professional ethics in journalism (started in 2017) will continue in 2018.

Training and development

The table shows the number of training hours delivered and the number of participants over the three years at Group level (excluding employees of Rizzoli International Publications, for whom training has not been organised since the company's entry into the Group in April 2016).

Hours delivered	2017	2016	2015	Participants	2017	2016	2015
Total	14,550	20,160	16,731	Total	1,026	1,570	1,457

A dynamic training programme, focused on quality and that can be tweaked to bridge any gaps between expertise acquired and the skills necessary to meet the Company's development requirements, underpinned the courses provided to Mondadori Group employees in Italy in 2017.

The programme involves the regular updating of content with an increasingly business-oriented focus.

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Applied in 2017 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 any training gaps identified. The skills mapping system, originally adopted for journalists, will progressively replace the former assessment system in place for performance management. During this transition phase, no assessments were conducted for Italy employees.

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 offered alongside language and development courses for managerial and technical skills.

The Journalists Academy was run for a second time in 2017, designed to keep abreast of changes in the profession and in the publishing sector through a tailor-made programme of business-oriented training courses to support the professional growth of journalists.

The renewed training programme included 14 courses from the previous year and an additional 12 new courses, thereby expanding the range of training opportunities while ensuring continuity in skills development plans.

New Journalist Academy features introduced in 2017 included an earlier start to the calendar of courses, a more streamlined approval cycle, and the implementation of a new online platform for the training offer, registrations, and course management.

Academy courses attracted a higher number of registrations in 2017 compared to the previous year, with 79% of staff signing up (76% in 2016). A total of 53 courses, amounting to 4,893 hours of training, were delivered to a total of 185 journalists.

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

Organisational initiatives pursued by Mondadori Retail saw the successful completion of the second Master in Book Retail Management project, run in partnership once again with the University of Parma. The objective of the project is to promote the development of managerial and process management skills in the Mondadori Retail sector, broadening knowledge held in the sector and providing management tools to develop professional expertise.

In 2017, a Retail Academy was launched to support the development of the franchising network, with two pilot courses run in September 2017.

Other initiatives for the Retail area included *Welcome Day@Mondadori*, an event dedicated to 50 new franchisees to help fast-track their integration into the network.

In September, the first ever Talent Day Mondadori was held, a career guidance initiative designed to help the children and family members aged 18 to 28 years of Mondadori employees find their way in the world of work. A total of 65 young people

took part in the initiative, which saw them meet with 20 human resources professionals, all experts in recruitment, from various industry sectors (Mondadori France, Mediaset, Ferrero, Iper, Europ Assistance, and IBM). The participants were given the opportunity to learn useful job-search tools and techniques to help them find work more effectively.

Alongside the Academy training plan, other courses focused on language training and workplace safety, delivered both in classroom and e-learning format (see p. 111).

Italy

Hours delivered	2017	2016	2015	Participants	2017	2016	2015
Ad hoc training	5,057	7,858	7,500	Ad hoc training	226	409	385
Executives	4	271	764	Executives	1	63	55
Middle managers	-	495	1,458	Middle managers	-	90	49
Office workers	160	732	3,287	Office workers	40	80	220
Journalists	4,893	6,360	1,991	Journalists	185	176	61
% women	76%	72%	60%	% women	78%	73%	57%
% men	24%	28%	40%	% men	22%	27%	43%
Language courses	600	2,380	1,320	Language courses	20	62	44
Executives	450	930	1,110	Executives	15	31	37
Middle managers	120	90	150	Middle managers	4	3	5
Office workers	30	60	60	Office workers	1	2	2
Journalists	-	1,300	-	Journalists	-	26	-
% women	35%	60%	41%	% women	35%	56%	41%
% men	65%	40%	59%	% men	65%	44%	59%
Safety training	2,361	2,118	1,971	Safety training	375	379	404
Executives	72	20	24	Executives	7	n.a.	n.a.
Middle managers	148	98	56	Middle managers	19	n.a.	n.a.
Office workers	2,141	1,484	1,546	Office workers	349	n.a.	n.a.
Journalists	-	4	29	Journalists	-	n.a.	n.a.
Workers	-	512	316	Workers	-	n.a.	n.a.
% women	59%	47%	51%	% women	58%	50%	46%
% men	41%	53%	49%	% men	42%	50%	54%
Total hours of training delivered	8,018	12,356	10,791	Total hours of training delivered	621	850	833
Executives	526	1,221	1,898	Executives	23	n.a.	n.a.
Middle managers	268	683	1,664	Middle managers	23	n.a.	n.a.
Office workers	2,331	2,276	4,893	Office workers	390	n.a.	n.a.
Journalists	4,893	7,664	2,020	Journalists	185	n.a.	n.a.
Workers	-	512	316	Workers	-	n.a.	n.a.
% women	68%	n.d.	n.d.	% women	65%	n.a.	n.a.
% men	32%	n.d.	n.d.	% men	35%	n.a.	n.a.

Average No. of training hours per capita	2017	2016	2015
Total	3.60	5.12	4.91
Women	3.99	n.a.	n.a.
Men	2.98	n.a.	n.a.
Executives	5.21	n.a.	n.a.
Middle managers	0.90	n.a.	n.a.
Office workers	1.52	n.a.	n.a.
Journalists	17.48	n.a.	n.a.

Alongside the Academy programmes – introduced in 2013 for journalists and in 2016 for Mondadori Retail employees, training programmes for career development, the improvement of skills, and to help cope with transition as the business changes, included the “Inspiring People” series, launched in 2016 to provide opportunities to meet and talk to professionals from a variety of sectors. In 2017, the initiative was opened to all employees interested, to encourage greater engagement and exchange among the various business areas and, above all, to build more effectively on the potential in the Group.

Finally, in 2017 the skills mapping project for the Group Human Resources and Organisation Department was completed. The project involved the identification of a common framework for mapping skills, job descriptions, abilities (with relative behavioural descriptors), and professional knowledge (with relative indicators); the outlining of an ideal HR Business Partner profile and a training programme for the position, to encourage greater focus on management by skills. Building on the skills mapping process followed for HR Business Partners, a new mapping process was commenced to map the skills of all company people, starting,

in 2017, with key positions. The project involves the participation of a team of consultants, who supported the HR Business Partners in the first stage of identifying the skills involved in a range of key positions in each business unit.

Regarding the formal assessment of employees, no assessments were conducted of personnel in 2017 since the Performance Management tool used in the past is no longer considered suitable.

Training programmes at Mondadori France are organised into three groups (ad hoc professional, language, and workplace safety), with plans lasting two or three years. Specifically, ad hoc professional training focused on topics such as team work in marketing (end 2016–2017), digital advertising space sales techniques (for agency employees, 2015–2017), SEO strategies (for editorial board staff, digital marketing and developers, 2016–2017), optimising the use of social networks (for editorial board staff, editorial marketing and publishers, 2016–2017), and techniques for creating and editing videos by smartphone (for editorial board staff, 2017). An English and Italian language training programme was launched at the end of 2016.

France

Hours delivered	2017	2016	2015	Participants	2017	2016	2015
Ad hoc training	4,934	6,644	5,669	Ad hoc training	328	568	610
<i>Cadres</i>	2,691	4,572	3,099	<i>Cadres</i>	146	257	321
<i>Employés</i>	204	605	607	<i>Employés</i>	14	62	49
<i>Journalistes</i>	2,039	1,467	1,963	<i>Journalistes</i>	168	249	240
% hours delivered to women	67%	71%	70%	% women	66%	69%	70%
% hours delivered to men	33%	29%	30%	% men	31%	34%	31%
Language courses	1,283	246	96	Language courses	47	17	3
<i>Cadres</i>	865	165	51	<i>Cadres</i>	34	12	2
<i>Employés</i>	205	65	-	<i>Employés</i>	4	2	-
<i>Journalistes</i>	214	16	45	<i>Journalistes</i>	9	3	1
% hours delivered to women	79%	59%	6%	% women	74%	71%	33%
% hours delivered to men	21%	41%	94%	% men	26%	29%	67%
Safety training	315	914	175	Safety training	30	135	11
<i>Cadres</i>	124	319	140	<i>Cadres</i>	14	56	8
<i>Employés</i>	55	222	-	<i>Employés</i>	4	33	-
<i>Journalistes</i>	136	373	35	<i>Journalistes</i>	12	46	3
% hours delivered to women	54%	64%	48%	% women	60%	62%	64%
% hours delivered to men	46%	36%	52%	% men	40%	38%	36%
Total hours of training delivered	6,532	7,804	5,940	Total hours of training delivered	405	720	624
<i>Cadres</i>	3,679	5,056	3,290	<i>Cadres</i>	194	325	331
<i>Employés</i>	464	892	607	<i>Employés</i>	22	97	49
<i>Journalistes</i>	2,389	1,856	2,043	<i>Journalistes</i>	189	298	244
% hours delivered to women	69%	69%	68%	% women	66%	68%	70%
% hours delivered to men	31%	31%	32%	% men	34%	33%	30%

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Average No. of training hours per capita	2017	2016	2015
Total	8.70	9.73	6.98
Women	9.56	10.83	7.59
Men	7.27	7.91	5.96
Cadres	12.69	16.63	10.19
Employés	5.59	9.20	6.19
Journalistes	6.32	4.63	4.75

Faced with a general contraction in the Magazines market (in terms of both readership and advertising revenues), in 2014 Mondadori France was compelled to introduce a number of restructuring plans to adapt to the decline in the sector, while at the same time guaranteeing job protection for its people. Following negotiations with the Business Committee of the Economic and Social Unit of Mondadori Magazines France (UES MMF), various measures were launched to facilitate internal transfers and terminations on a voluntary basis.


To begin with, it proved indispensable to update the skills of company employees to match developments in the sector. This was pursued through training courses on digital skills, such as for social network management and online advertising. In this sense, part of the transition towards the new business model took place by expanding editorial functions from a multimedia perspective.

With regard to 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.

Programmes for human resources development, both in relation to skills updating and to the restructuring plans, are based on the performance assessment system. The following table reports figures for 2015–2017 in relation to the Annual Appraisal Assessment (AAA) which involves the participation of both the employee and the relevant manager.

Besides this tool, in 2014 mandatory professional assessments (PA) were introduced every two years. In 2015, Mondadori France complied with this legal obligation by subjecting its entire workforce to assessment. In 2016, 44% of employees were subject to professional assessment (PA). Subsequently, it became the practice to time the annual appraisal assessment with the mandatory professional assessment, for which in 2017, 30% of Mondadori France employees were assessed on both the AAA and the PA.



Annual Appraisal Assessment (AAA)	2017		2016		2015	
	number	%	number	%	number	%
Cadres	157	54%	175	58%	283	88%
Employés	35	42%	40	41%	84	86%
Journalistes	33	9%	95	24%	357	83%
Total	225	30%	310	39%	724	85%

Workplace safety and prevention

In order to ensure that statutory workplace safety requirements are fulfilled in the best and most efficient way, in 2017 the Group prevention and protection service was restructured. While the centralised coordination of the service was maintained, its structure was reviewed to prioritise a local site supervision approach, with references grouped according to geographical distribution. The list of employers and all the officers, whether designated or elected, involved in protecting occupational health and safety in the Mondadori Group is updated on a regular basis. The list can be viewed on the Company intranet portal “Network” under the Prevention and Safety” section, where Group personnel can keep up to date on procedures and learn more about how to protect health and safety in the workplace.

Although not required by law, a Group safety coordination unit has been established to oversee and coordinate all the people involved in protecting the health and safety of workers, provide guidelines for implementing statutory requirements, monitor planning, and conduct the following activities:

- regular meetings: 7 safety meetings were held on a regular basis, concerning 24 sites and involving, along with the employers or their delegates for the companies, 4 health and safety managers and 6 health and safety officers, 22 workers’ safety representatives, and 7 occupational medicine practitioners;
- on-site workplace inspections: jointly with the occupational medicine practitioners, in 2017 inspections were conducted of the workplaces of 24 Group sites;
- evacuation drills: in addition to the testing of emergency plans in 31 directly managed stores, the safety officers of each Mondadori Group site coordinated annual evacuation drills involving all personnel on site. Feedback received on the drills was then used to identify and formalise the actions needed to improve emergency procedures.

In 2017, around one thousand hours of classroom training was delivered to fire safety and first aid officers belonging to emergency teams, while

mandatory safety training, introduced in 2013 for all workers, continued to be provided to new employees joining the Company.

Mandatory training was delivered in e-learning format, through a special project presented and approved by the local health service agency. Thanks to the programme, in 2017 around 1,500 hours of e-learning courses, covering both general and specific safety modules, were delivered not just to new hires, but also office workers and store personnel and managers, involved in specific refresher sessions. For details on safety training in Italy and in France, see the tables on pp. 107 and 109.

Since 2017, the occupational medicine service has been outsourced to the medical centre H San Raffaele Resnati, which has delivered both major savings as well as the key benefits of an organised professional service, connected to a leading company in the sector. The occupational medicine practitioners (451 workers checked up over the year) are monitored in their work with the help of the workplace health and safety IT system adopted by the Mondadori Group. The platform enables the identification of the workers due for a health check-up, the planning of regular medical visits, and the management of medical records on a fully computerised and encrypted basis. The system is also used for the digital archiving of medical reports and documents, to fulfil statutory requirements under laws and regulation in force, and to plan training initiatives and enables the internal supervisory body to constantly monitor Company compliance with occupational health and safety regulations.

Welfare and benefit

The Group’s commitment to the well-being of its people is also expressed through the facilitations, services and initiatives it promotes, which have an impact on both work life and private life. The main ones are listed hereafter; with the sole exception of supplementary healthcare benefits, they can be accessed by all employees, regardless of the type of contract on which they are employed. In an effort to harmonise the employment conditions and

benefits offered to all employees of the companies belonging to the Group, an integration plan is currently being studied to standardise and optimise all second-level contracts.

Flexible working hours

Flexitime offers flexibility in starting and finishing hours and the opportunity to work part-time. In 2017, part-time workers totalled 277 in Italy, 39 in France and 7 in the United States. 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).

Supplementary health insurance coverage

Supplementary health insurance coverage is an optional benefit offered 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 choose to pay the monthly contribution fee. The supplementary health and social fund (FISS) partially covers some expenses and also makes other contributions in particular situations. Coverage can also be extended to family members. As at 31 December 2017, 729 employees had joined FISS.

The Mondadori France supplementary health insurance plan covers the children of employees free of charge. With the payment of a voluntary contribution fee, coverage can also be extended to 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 medical visits. In partnership with Avis, Mondadori has organised two blood donor days every year since 2006, at an Avis station at the Segrate head office.

Employees and contract workers at the Mondadori France head office also have a nursing and social welfare service. In 2016 a “well-being campaign” was launched with the activation of numerous workshops.

Shuttle service

The shuttle service connects the Segrate head office with strategic locations in Milan, which can easily be reached by the large number of passengers arriving from the various city districts and suburban areas around Milan by public transport (buses and trains).

Thanks to agreements in place with the bus operator ATM and the rail service provider Trenord, employees and contract workers can purchase annual bus or train passes at a discount, valid for the entire urban and suburban public transport network in the SITAM (Milan) area and the regional railway network (suburban and regional lines).

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.

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.

Subsidised products and commercial agreements

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

An outlet is also up and running at the Segrate head office, which sells basic food items as well as various other goods at discount prices, while offering a series of services.

A large number of other discount agreements have also been negotiated with other companies: the updated list is published on the company intranet.

Employees of Mondadori France similarly enjoy discounts and facilitations on subscriptions to magazines and on products sold on the Company's various marketplace and e-commerce websites.

Summer camps for the children of employees

Mondadori offers the possibility of organising two-week summer camps for children aged 5-13 years at

camps in Castione della Presolana at discount rates. Packages include sports activities with instructors (tennis, horse-riding and rock climbing).

Company social club

Cral Mondadori is a non-profit association set up by the parent company in accordance with Article 18 of the Italian Constitution, Article 36, 37, and 38 of the Italian Civil Code and Article 11 of the Charter of Workers' Rights.

All employees, former employees and their families can be members of Cral Mondadori. As at 31 December 2017, the club had 600 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 by a Management Board.

As well as its traditional activities, in 2017 Cral Mondadori supported a number of social initiatives, such as: the purchase of products for Christmas hampers from companies based in areas hit by earthquakes and donations to the National Cancer Institute for International Women's Day 2017.

Mondadori France instead subsidises the work of the company committee for the organisation of cultural and social activities.

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, "Network", through which employees can find out about internal developments and access Company information and services.

At least once a week (except in January, July, August and December, when the service is less frequent or suspended), a newsletter is sent to all staff, containing links to new items posted on the Intranet or on relative product websites. 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 2017, 42 newsletters were sent, with a click rate of 46.6%.

The Intranet, e-mails to all employees in Italy and around the world, and video messages are the main tools used by the Chief Executive Officer to share the Group's performance and financial results with all employees and contract workers.

THE INFORMED USE OF NATURAL RESOURCES

The Mondadori Group places great importance on environmental issues, especially regarding the life cycle of paper products, energy efficiency, and reducing climate-changing emissions (see *The Process for Identifying Material Topics*, pp. 81–83). The importance of these issues for the Group is tied above all to the main environmental impacts of its operations, mainly in relation to the consumption of paper and energy and the distribution of products.

The firm commitment to managing these aspects is underpinned by a will to anticipate future developments connected with these issues and the need to respond effectively to the information demands of the many stakeholders with whom the Group engages.

In general, sustainability matters, and hence issues connected with environmental impacts, are referred to the Sustainability Committee (see *Governance System*, pp. 130–131), which as early as 2012 prepared a Company environmental policy, published on the Mondadori Group corporate website (www.mondadori.com/sustainability/environmental-protection). The policy outlines the Group's commitment and targets for reducing its environmental footprint and provides the framework for the setting of Group strategy and target areas for environmental action.

The guidelines identified in the environmental policy steer the operational decisions and practices of the Group, from the purchase of paper to the management of retail outlets, with each company unit responsible for applying the guidelines in its day-to-day operations.

Responsible management of paper products

As a publishing group, paper consumption and the management of the life cycle of paper products are major factors in the assessment of environmental impacts for Mondadori, especially considering the strategic focus placed in recent years on the Company's Books and Magazines businesses.

This section looks at the environmental impacts connected with the life cycle of paper products, from the use of paper as a raw material to the management of unsold copies of editorial products published and their pulping, including their logistical management and distribution.

The life cycle of paper products begins in paper mills, where paper is manufactured and then sent to the printing company that prints the products. Printed paper products are stored in warehouses and dispatched, through a logistics network, for delivery to distributors and end consumers.

Once a book or magazine is in the hands of a reader, the life cycle of the paper product can take one of three turns:

- the book or magazine remains in the reader's home and may be re-used (e.g., re-read, given as a gift, donated to schools and/or libraries);
- the book or magazine is collected as waste paper for recycling, thus becoming valuable raw material that can be reused as pulp by paper mills;
- the book or magazine is collected as general waste.

The raw material: the paper used to print editorial products


In 2017, over 120,000 tons of paper was consumed at Group level (-6% compared to 2016).

In Italy, paper is purchased directly by Mondadori under a procurement policy introduced in 2014. This has enabled the Company to consolidate its commitment to rationalising 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. Supplier selection criteria requires that paper is certified by the FSC or PEFC, the two main certification schemes adopted worldwide, in order to progressively raise the percentage of certified paper used over time.

In 2017, paper consumption for the printing of Mondadori and Rizzoli publications amounted to over 75,000 tons, down by 5% compared to previous year. The breakdown by type of paper used (certified, recycled and traditional) instead remained stable over the three-year period, with certified paper by far the most predominantly used (98%). With regard to Inthera, all of the paper it consumes is FSC-certified.

The table shows paper consumption by type of paper (certified, traditional and recycled) for the 2015–2017 period.

Total printing paper – Italy



Type	2017		2016		2015 ¹	
	ton	%	ton	%	ton	%
Certified paper	73,573	97.9%	76,485	96.8%	67,055	97.6%
Recycled paper	37	0.0%	46	0.1%	63	0.1%
Traditional paper	1,578	2.1%	2,516	3.2%	1,554	2.3%
Total	75,188		79,047		68,673	


¹ Figures for 2015 do not include Rizzoli, as the company was first consolidated in 2016

In France, the *Eco-contribution* tax on entities that release at least five tons of paper on the market per year, designed to encourage the sustainable use of the resource, is an additional incentive for the collection and recycling of waste paper. The proportional basis of the tax has led publishers such as Mondadori France to purchase more paper from paper mills located near printing operations, to use paper containing at least 25% recycled fibre, and to implement strategies to promote recycling.

As a practical expression of its commitment to reducing the environmental impacts associated with paper consumption, Mondadori France has developed closer relations with PEFC-, FSC- and ISO 14001-certified printers and PEFC- and FSC-certified paper mills in Europe (mainly in Sweden, Norway, Finland, Germany, Austria, Italy, and France). Moreover, in 2011 Mondadori France itself attained PEFC certification, for which it is audited annually by an external body to assure compliance with the relative standards.

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Total printing paper – France



Type	2017		2016		2015	
	ton	%	ton	%	ton	%
Recycled certified paper ¹	6,532	16%	14,158	31%	18,374	38%
Traditional certified paper	35,444	84%	31,681	69%	29,976	62%
Total	41,976		45,839		48,350	

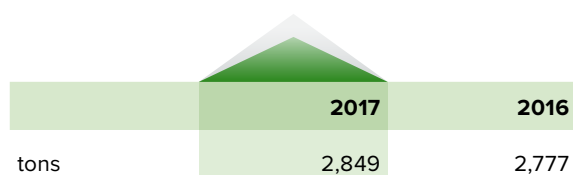
¹ This category includes all certified paper that is not traditional paper and contains a percentage of recycled paper

Continuing the trend witnessed in recent years, paper consumption at Mondadori France in 2017 fell compared to 2016 (-8.4%), thanks to measures taken in the three-year period to reduce paper consumption for printing purposes.

Rizzoli International Publications purchases its raw materials indirectly through printers, based primarily in China and, to a lesser degree, in Italy. Given the type of products it publishes and the international markets on which it operates, to date the company has placed only limited focus on the use of certified paper. Future projects, however, will progressively focus more on the use of certified paper, to align the company's standards to those of the Group.

Nevertheless, based on estimates of the number of copies printed and average weight per copy, the Group has produced an initial estimate of the paper consumption of the recently acquired company. Accordingly, paper consumption estimates for 2016–17 are reported below; the increase in consumption shown was due to the higher number of copies printed.

Total printing paper – RIP¹



¹ Paper consumption for Rizzoli International Publications for 2016 and 2017 has been estimated on the basis of copies printed and average weight per copy, as the documentation provided by suppliers does not provide detailed figures on the effective consumption of paper for printing purposes, while the cost of the paper alone cannot be traced from the figures reported in purchase invoices

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, daily newspapers), 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), or be destroyed or disposed of.

The various distribution processes are described below for each channel, with details provided of the main environmental impacts connected with them.

Specifically, in 2017 a total of 3,919 tons of renewable packaging materials (wood and cardboard) was consumed (-1% compared to 2016), while non-renewable packaging materials (polyethylene, polypropylene and expanded polystyrene foam) amounted to 657 tons (-6% compared to 2016).

Magazines - Italy

Logistics for the Magazines Italy business is managed by Press-di Distribuzione Stampa e Multimedia S.r.l., a wholly-owned subsidiary of Mondadori, which manages the distribution of Mondadori magazines and the magazines and newspapers of other publishers for the news-stand channel only. All Press-di operating processes, including transport management, are outsourced to a network of expert suppliers.

In 2017, around 65,000 tons of product were transported, entirely by road transport (with the additional use of naval transport for distribution to islands, involving the roll-on/roll-off of vehicles onto ships).

The magazines logistics process in Italy involves four steps:

- film wrapping and shipment preparation: in 2017 this process was applied to approximately 61 million copies, for which approx. 249 tons of cellophane wrapping, approx. 114,000 pallets (equivalent to 799 tons of wood), and 46 tons of film was used.
- primary transport: from distribution logistics centres (Melzo and Verona) to local distributors (approx. 69 private businesses in 2017);
- 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 to the Press-di national returns centre or for local pulping;

- 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 table below reports consumption figures for materials used for the transportation of magazines to newsstands.

Raw material (tons)	Detail	Press-di		
		2017	2016	2015
Wood	Pallets	799	866	902
Cardboard	Cardboard boxes and packaging materials	-	-	-
Polyethylene	Film	295	332	384
	Package filling	-	-	-
	Pallet covers	n.a.	n.a.	n.a.
Polypropylene	Tape	n.a.	n.a.	n.a.
	Strapping	n.a.	n.a.	n.a.
Expanded polystyrene foam	Filling of packages with polystyrene	-	-	-

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The daily newspapers produced by third-party publishers (including *il Giornale*, *Libero*, and *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.

The lower operating costs (deriving from the progressive reduction in transported weights) correspond to a proportional reduction in emissions due to transportation. Added to this is the effect of the certified returns process, by which unsold

copies of publications are sent for pulping by local distributors, ensuring the processing of returns for statistical and accounting purposes for the publishers, without the need for the unsold copies to return physically to the warehouse, thereby reducing both costs and emissions.

The following table reports the estimated CO_{2eq} emissions deriving from the transport of magazines from the distribution logistics centres of Verona and Melzo to local distributors in the three-year period 2015–2017. In 2017 these emissions fell by 10.6% compared with 2015, from 6,428 tons to 5,806 tons of CO_{2eq}.

CO_{2eq} emissions from primary transport

Unit of measurement	2017	2016	2015
t CO _{2eq}	5,806	6,235	6,428

Primary transport emissions have been calculated taking into consideration the greenhouse gases CO₂, CH₄, N₂O

With regard to the management of returns, Mondadori has a particularly high local pulping rate, thanks to the incentives pushed by Press-di (in agreement with the Group and third-party publishers distributed) to encourage the widespread take-up of certified returns processes by local distributors. At the same time, however, the ongoing decline in newspaper and magazine readership, which has led to a general reduction in returns, has also affected the number of intermediaries – local distributors and newsstands – over the years, lowering both their total number and those that guarantee certified returns.

In 2017, a total of 21,056 tons of magazines (+0.3% on 2016) and 9,702 tons of newspapers (-4% on 2016) were recycled through local pulping. Currently, out of the 69 local distributors used by Press-di, 62 guarantee certified returns (as opposed to 65 out of 74 last year).

Magazines - Mondadori France

Printing, binding and distribution operations connected with the magazines published by Mondadori France (around 190 million copies in 2017) are outsourced to external suppliers located in Europe (70% of volumes are outsourced 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 share of the business: in fact, regarding 2017, alongside the 120 million copies distributed through newsstands, another 70 million copies were distributed by post.

The distribution of magazines to newsstands is outsourced to two companies and is mainly carried out by 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;
- 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 120 million copies were distributed to newsstands in 2017);
- local distributors collect 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.

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.

The following table reports consumption figures for materials used for the transportation of magazines to newsstands and for subscriptions. On a conservative approach, these materials are considered as direct consumption also in the case of outsourcing.

Raw material (tons)	Detail	Mondadori France		
		2017	2016	2015
Wood	Pallets	1,058	1,159	1,223
Cardboard	Cardboard boxes and packaging materials	20 ¹	20	23
Polyethylene	Film	201	207	215
	Package filling	-	-	-
	Pallet covers	-	-	-
Polypropylene	Tape	-	-	-
	Strapping	42	40	44
Expanded polystyrene foam	Filling of packages with polystyrene	-	-	-

¹ The consumption figure for cardboard boxes in 2017 is an estimate

In line with the requirements of the *Eco-Contribution* scheme, 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;
- 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 these materials in the 2015–17 period of approx. 13% for both materials;
- optimise the use of pallets and boxes in distribution operations to reduce consumption of packaging materials and transport to industries and distributors;
- use biodegradable film for wrapping copies sent to subscribers, instead of standard polyethylene film.

Moreover, over the last two years, Mondadori France has participated actively in the Sustainable Development Committee of the SEPM (Syndicat des Editeurs de la Presse Magazine). In 2017, the Committee pushed ahead with a number of initiatives to reduce the environmental footprint of the sector, including:

- the identification of alternatives to the plastic film used for wrapping copies sent to subscribers (elimination of plastic film, use of biodegradable film and the use of paper wrapping)
- the identification of glues to enable the optimal recycling of paper products
- the identification of ecological vegetable-based inks to replace mineral-oil inks

Trade books

Logistics operations for Trade Books (for the Mondadori, Einaudi, Sperling & Kupfer, Frassinelli, Piemme, and Electa brands, managed until April 2017 by Mondadori Libri S.p.A. through the Verona logistics hub) were sold as a business unit to CEVA Logistics S.p.A. in May 2017. The supplier has progressively transferred restocking, counting, and returns selection operations to its City of Books logistics hub in Stradella (in the province of Pavia), where it already managed operations for Rizzoli Libri. Operations for the launch of new books are also managed by CEVA Logistics, but performed by an external provider located in the Verona area.

In this context, the returns 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 stocked. The owner of such stock, i.e. the publisher, pays for the storage and decides when to pulp the product.

Trade Book returns	Unit of measurement	2017 ¹	2016 ¹	2015 ¹
Copies	No.	10,391,000	10,163,000	11,900,000
Packages	No.	332,000	325,000	380,000
Shipments	No.	35,700	35,000	40,900

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

All 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.

Schoolbook publishing

In 2017 Mondadori Education distributed around 6.7 million textbooks and teachers' guidebooks.

In 2017, distribution operations for all Mondadori Education publications were performed at the Verona logistics hub, managed by Mondadori until April and by CEVA Logistics as of May.

The logistics for Mondadori Education publications is connected with specific school education activities (promotion, adoption, and sale of books):

- through a network of promoters, school texts are presented to teachers from January to May in order to promote their adoption. Logistics is in charge of shipping the books from the central warehouse to the promoters, just under 130 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), which may lead to a reduction in the production and shipment of paper trial 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).

Although returns are less frequent for school texts, total returns in this segment came to approximately 603,500 copies in 2017.

Distribution processes for Rizzoli Education are similar, but run through different logistics hubs, involving a central warehouse (City of Books hub in Stradella) and one regional distributor (Bologna). As for the number of copies transported, around 7,830,000 copies were distributed in 2017, while returns amounted to 1,800,000 (both figures refer both to sale copies and classroom trial copies).

Bookclub

For products distributed through the bookclub channel, logistics (warehousing and preparation of orders) and all business support processes are managed at the Verona logistics hub. Orders are shipped by mail.

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

E-commerce

With regard to products sold on the website www.mondadoristore.it, B2C logistics activities include product management (for both Mondadori books and third-party publishers) at the Verona logistics centre (now CEVA Logistics). 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.

The table below reports consumption figures for materials used for the transportation of Trade Books and school books.

Materials consumption for Trade Books and school books		Verona logistics hub + Stradella logistics hub		Verona logistics hub
Raw material (tons)	Detail	2017	2016	2015
Wood	Pallets	921	776	505
Cardboard	Cardboard boxes and packaging materials	1,121	1,136	813
Polyethylene	Film	73	75	103
	Package filling ¹	13	13	10
	Pallet covers ¹	3	3	3
Polypropylene	Tape	6	5	2
	Strapping	9	10	3
Expanded polystyrene foam	Filling of packages with polystyrene	15	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

Reducing energy consumption and combating climate change

The emission measurement process implemented in recent years by the Group has enabled the consolidation of calculation methods and was used as a baseline for raising internal awareness about possible policies for the reduction of the greenhouse gases generated by its operations. In this regard the Group has already launched a number of projects to mitigate its emissions, both in 2017 and in the past. These include, for instance, the implementation of energy efficiency measures in buildings, the reduction of printing paper consumption, and the replacement of the car fleet with lower emission models (see *Initiatives to reduce environmental impact*, pp. 126–129).

This section looks at the environmental impact of the Mondadori Group's operations on global warming. It reports and explains the direct and indirect greenhouse gas emissions produced by the Group along its entire value chain.

Total greenhouse gas emissions at Group level in 2017 amounted to approximately 60,520 tons of CO_{2eq} (-6% on 2016). Total electricity consumption in 2017 amounted to over 18,950 MWh (over 68,240

GJ, -9% on 2016), while natural gas consumption amounted to over 515,580 m³ (18,115 GJ, -5% on 2016). The Group does not purchase energy from renewable sources.

Italy

Greenhouse gas emissions connected with Group operations in Italy and considered within the reporting scope of the GHG survey are classified as either direct (Scope 1) GHG emissions, energy indirect (Scope 2) GHG emissions or other indirect (Scope 3) GHG emissions.

Greenhouse gas emissions (tons)	2017	2016	2015
Direct (Scope 1) emissions ¹ – CO _{2eq}	1,013	1,064	1,002
Energy indirect (Scope 2) emissions ² – CO ₂ – location-based	5,870	6,527	6,555
Other indirect (Scope 3) emissions ³ – CO ₂	33,678	35,392	30,748
- Emissions related to paper production	32,331	33,990	29,529
- Emissions related to business trips	1,360	1,402	1,219
Total GHG emissions	40,574	42,983	38,305

All emissions shown in the table are calculated using emission factors stated in CO₂, except for Scope 1 emissions deriving from refrigerant gas leaks of air conditioning units. The total emissions are expressed in CO₂ as the share attributable to the other gases (CH₄ and N₂O) is not significant. Emissions of Scope 2, expressed in CO_{2eq} and calculated according to the market based method, are equal to 7,373.5 tons

¹ Direct (Scope 1) emissions for 2016 have been restated on the basis of information available only after the publication of the 2016 Sustainability Report

² Energy indirect (Scope 2) emissions for 2015 and 2016 have been restated with respect to the 2016 Sustainability Report, on the basis of updated emission factors available

³ Other indirect (Scope 3) emissions for 2016 have been restated with respect to the 2016 Sustainability Report, on the basis of updated emission factors available

Direct (Scope 1) GHG emissions are connected with the consumption of natural gas for the heating of offices, stores, and warehouses and refrigerant gas leaks of air conditioning units. Most of the natural gas consumption figures were accurately measured; where such measurement was not possible, conservatives estimates have been provided.

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Natural gas – Italy	Unit of measurement	2017 ¹	2016 ¹	2015 ¹
Detail				
Natural gas consumption	m ³	515,584	544,121	512,530
	GJ	18,115	19,151	17,946

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

In Italy, Group gas consumption fell by 5% compared to 2016, from around 544,000 m³ to some 516,000 m³ in 2017, mainly due to the closure of some sites and energy efficiency measures introduced during the year (see *Initiatives to Reduce Environmental Impact*, pp. 126–129).

Energy indirect (Scope 2) GHG emissions are connected with electricity consumption, which is sourced from the national electricity grid for the purposes of:

- lighting, air conditioning (heat pumps), and equipment (e.g. PCs, printers) in offices and stores;
- lighting and equipment in warehouses;
- recharging electrical vehicles (Segrate) and forklift trucks (warehouses).

Electricity – Italy Detail	Unit of measurement	2017	2016	2015
Total electricity purchased from national grid ¹	MWh	15,655	17,405	17,480
	GJ	56,358	62,658	62,928

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

In Italy, electricity consumption declined constantly over the three-year period. The 10% drop in consumption between 2015 and 2017 was in part due to the closure of some Group sites, and in part to energy saving initiatives implemented over the year (see *Initiatives to Reduce Environmental Impact*, pp. 126–129).

Other indirect (Scope 3) emissions consist of emissions connected with paper production operations (see *The Raw Material: the Paper used to Print Editorial Products*, pp. 114–116) and business travel by employees.

Emissions connected with the paper production cycle totalled around 32,300 tons of CO₂ in 2017, showing a drop compared to the previous year due to the declining consumption of paper (-5%).

Alongside emissions connected with paper consumption, emissions are associated with business travel by company personnel, mainly for the purposes of: meeting clients, travel for editorial features, meetings with suppliers, meetings at other company sites, and participation in events.

The following table shows the breakdown of business travel-related emissions by transport means.

Emissions by means of transport	2017
Train	17.7%
Company car	33.3%
Car rental	3.8%
Plane	45.2%

As in previous years, company cars and air travel accounted for the biggest share of CO₂ emissions connected with business travel. However, when compared to 2016, emissions connected with train travel and car rental increased, while those connected with company cars and air travel declined.

Other significant Scope 3 emissions were found to be connected with the logistics of transporting raw material (paper) and finished goods. Due to the difficulty of collecting reliable data on these flows, currently these emissions are only partially recorded (see table on p. 117) and may be explored more thoroughly in upcoming years.

France

Regarding Mondadori Group operations in France, the greenhouse gas emissions considered within the reporting scope of the GHG survey are shown in the table below.

Greenhouse gas emissions (tons)	2017	2016	2015
Direct (Scope 1) emissions ¹ – CO _{2eq}	112	246	-
Energy indirect (Scope 2) emissions ² – CO ₂ – location-based	120	125	127
Other indirect (Scope 3) emissions ³ – CO ₂	18,256	19,894	21,010
- Emissions related to paper production	18,050	19,711	20,790
- Emissions related to business travel ²	206	183	220
Total GHG emissions	18,488	20,257	21,128

All emissions shown in the table are calculated using emission factors stated in CO₂, except for Scope 1 emissions from refrigerant gas leaks of air conditioning units. The total emissions are expressed in CO₂ as the share attributable to the other gases (CH₄ and N₂O) is not significant. Emissions of Scope 2, expressed in CO_{2eq} and calculated according to the market based method, are equal to 136.9 tons

¹ Energy indirect (Scope 2) emissions for 2015 and 2016 have been restated with respect to the 2016 Sustainability Report, on the basis of updated emission factors available

² For the year 2015, the CO₂ emissions connected with business travel by plane were estimated as being the same as those calculated for 2016, the only year in which data is available

The direct (Scope 1) GHG emissions reported in the table consist exclusively of refrigerant gas leaks of air conditioning units, which in 2017 amounted to around 82 kg, equivalent to 112 tons of CO_{2eq}.

Regarding energy indirect (Scope 2) GHG emissions, for Mondadori France such emissions are connected with electricity consumption for the heating and lighting of offices.

Although less sharply than in Italy, Mondadori France also recorded a decline in electricity consumption in 2017, which dropped from 2,917 MWh in 2016

to 2,794 MWh (-4%). The drop in consumption was largely driven by measures introduced as of 2015 to reduce electricity consumption.

Finally, with regard to other indirect (scope 3) GHG emissions, the downward trend registered in recent years was mainly due to the lower consumption of printing paper, which fell from around 48,350 tons in 2015 to around 41,976 tons 2017, corresponding to a 13% reduction in CO₂ emissions (from 20,790 in 2015 to 18,050 tons of CO₂ in 2017). The reduction in CO₂ emissions over the three years for Mondadori France was 12.5%.

Electricity consumption - France	Unit of measurement	2017 ¹	2016	2015
Detail				
Total electricity purchased	MWh	2,794	2,917	2,962
from national grid	GJ	10,058	10,500	10,665

¹ Electricity consumption for 2017 relating to the Mondadori France warehouse has been estimated

Rizzoli International Publications

Greenhouse gas emissions from operations run by Rizzoli International Publications consist of energy indirect (Scope 2) emissions and other indirect (Scope 3) emissions.

Greenhouse gas emissions ¹ (tons)	2017	2016
Energy indirect (Scope 2) emissions – CO ₂ - location-based	231	244
Other indirect emissions (scope 3) - CO ₂	1,225	1,194
Total emissions	1,456	1,438

¹ Updated figures are currently not available for refrigerant gas leaks of air conditioning units to be able to measure direct (Scope 1) GHG emissions, nor for emissions connected with business travel

In 2017, total emissions for Rizzoli International Publication fell by 5.1% on 2016, thanks to lower energy indirect (Scope 2) GHG emissions connected with electricity consumption for the lighting and air conditioning of bookstores and offices. The drop in electricity consumption over the two-year period came to around 5%.

Electricity consumption - Rizzoli International Publications ¹	Unit of measurement	2017	2016
Detail			
Total electricity purchased from national grid	MWh	508	536
	GJ	1,830	1,929

¹ Electricity consumption for Rizzoli International Publications has been estimated on the basis of the spending incurred, as more detailed consumption data are not available

The other indirect (Scope 3) emissions reported in the table refer exclusively to tons of CO₂ emitted by paper production processes, which rose slightly in 2017 due to the higher number of copies printed.

INITIATIVES TO REDUCE ENVIRONMENTAL IMPACT

Paper and sustainability

In response to the requirements of the *Eco-contribution* scheme, 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 reduce the average amount of paper consumed per copy by 3.5%, from 229 grams in 2016 to 221 grams in 2017.

Mondadori France	Unit of measurement	2017	2016	2015
Total circulation	copies	190,000,000	200,000,000	211,000,000
Paper consumed	tons	41,977	45,839	48,350
Average paper consumption per copy produced	g	221	229	229

Measures to reduce environmental impact

Energy saving initiatives in 2017 - Italy

As in 2015 and 2016, major efforts were focused on energy saving in 2017, especially with regard to the Segrate head office and retail outlets.

Reported below are the initiatives planned in 2016 and implemented over the course of 2017, the benefits of which will be delivered in full in 2018. Other initiatives are currently in the pipeline or under implementation.

Segrate head office

- as part of projects for the re-use of former bank and news-stand premises, involving the creation of a multi-purpose hall, obsolete air ventilation units were replaced with a new, independent VRV system based on inverter technology. The remote-controlled system recovers heat from external air, which will deliver energy savings proportional to the extent to which the hall is used;

- sanitization work continued on air ducts, with all ducts cleaned on the fifth floor, together with the 70 switch boxes for the distribution of treated air, on which extraordinary maintenance was performed at the same time. The work fixed faults and malfunctions in mechanical parts, thereby improving air quality on the premises and delivering energy savings estimated at around 5,000 m³ of gas and 7,000 kWh_{el};
- an automatic management system was installed for the switch boxes connected to the air conditioning system on the fifth floor of the building. The remote control of the system, and its ability to adapt to external conditions, will improve the management of internal air conditioning, delivering energy savings per year estimated at around 8,000 m³ of gas and 7,000 kWh_{el};
- a new prestige lighting system was installed in the Niemeyer building, involving the installation of 230 lamps of varying wattage along the base of the building and on arches, benches, and stairs. The lamps use dimmable LED lights controlled by an electronic dimmer, enabling the brightness of the lamps to be adjusted by controlling power input;

- a system was introduced for monitoring energy consumption by purpose in the Niemeyer building and the Cascina Tregarezzo complex, which will enable new energy saving measures to be implemented.

Megastore Milano Marghera

- As part of the first stage of renovation work on the entrance area to the store, which has different opening hours to the rest of the retail outlet, a new fourth-generation VRV air conditioning system based on inverter technology was installed to replace the existing centralised system and the energy intensive electric heaters on the entrance doors. Besides improving temperature comfort significantly within the store, with benefits for both business and flexibility of use, the new system has delivered energy savings per year of around 10,000 kWh_{el} of electricity.

Rizzoli Galleria Book Store

- A centralised management system was installed for the remote control of air conditioning units, which is connected to energy saving software. The new system reduces annual power consumption for air conditioning by around 10%, while improving temperature comfort in the store.

Roma via Ferri (Romanina) Megastore

- The remote control system for managing air conditioning units was upgraded to receive readings of external air temperature. The measure delivers annual energy savings of around 5% in energy consumption for air conditioning.

Measures planned or in the pipeline for 2018 – Italy

All sites

Alongside the measures implemented or in the planning stage to reduce the environmental footprint of Group offices and stores, efforts have been made in recent years to raise awareness of the use of toner and paper for printing in offices. Over the last three years in particular, the Group has managed to reduce the consumption of printing paper by around 12%.

In 2018, all printers in Italian offices and directly managed stores will be replaced by new, high performance all-in-one devices for printing, scanning and photocopying. The new devices will ensure the quality of print-outs and the ability to print on any device in the network, while delivering major reductions in the consumption of energy and consumables (paper and toner).

Toner and paper consumption for printing (offices) – Italy			
Raw material (tons)	2017	2016	2015
Paper for printouts	90	95	102
Toner for printouts	3	3	3

Segrate head office

- The project to split the induction 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 stage. The goal of the project is to deliver energy savings and boost the flexibility of the air conditioning system to enable its diversified use on different floors;
- a system for the management of CAV boxes in offices on the “Foglia” floor is currently at the request for quotations stage. The system will add to and complete the project rolled out a few years ago on the “Sottofoglia” floor, with the objective of delivering energy savings, greater flexibility of use, and automated control;
- planning work continued for the installation of well pump inverters to reduce water and electricity consumption at night and in the winter;
- a project is currently in the planning stage for the progressive replacement of external lamps (in the car park and along walkways) with new LED lamps.

Bookstores

The following bookstore projects are currently in the quotation or planning stage:

- the installation of a new main Air Treatment System, the upgrading of the temperature control system, and the replacement of the boiler with a condensation heat system at the Milan Marghera Megastore;
- the replacement of heat pumps in stores in Milan and Florence;
- the replacement of the roof top at the Varese store;
- the installation of a new management and control system for the air conditioning units at the Casalecchio and Milan Duomo stores.

Measures to reduce environmental impact – France

Measures to reduce environmental impacts introduced in previous years continued in 2017 with the support of an external service provider, tasked with monitoring the Company’s key objectives to reduce electricity consumption and improve waste management. Focus was placed on developing energy efficiency initiatives for the warehouse and offices and on promoting recycling in offices, both at work stations and in recycling areas in common areas.

Reducing the impact of business travel – Italy

For several years now, the Mondadori Group has been committed to reducing the emissions associated with business travel in connection with its Italian operations. In 2017, a general reduction was achieved in kilometres travelled and progress was made in the renewal of the company fleet, a process initiated in 2014 through amendments to the Group’s car policy.

Last year the Group sold the last eight company cars owned, thus completing the progressive replacement of the proprietary fleet with long-term rentals, bringing to an end the process begun in 2008.

Along with the number of cars, the quality of the Group’s fleet in Italy has also improved in relation to the emission classes of the vehicles, as determined by the ADEME eco-label (Agence de l’Environnement et de la Maîtrise de l’Energie, a French agency specialised in the identification and spread of energy, environmental protection, and sustainable development information). In 2017, the number of class A cars in the fleet increased, while the number of lower emission-class vehicles

Mondadori Fleet – Italy Type (No.)			
	2017	2016	2015
Owned vehicles	-	8	8
Leased vehicles	130	142	109
Total	130	150	117

(classes D, E and F) were reduced significantly. In particular, compared to the previous years, no class F cars were held and the number of class E vehicles dropped by 11.

Type (No.)	2017	2016	2015
Class A – less than or equal to 100 g CO ₂ /km	19	16	17
Class B – from 101 to 120 g CO ₂ /km	44	44	29
Class C – from 121 to 140 g CO ₂ /km	37	40	38
Class D – from 141 to 160 g CO ₂ /km	12	19	13
Class E – from 161 to 200 g CO ₂ /km	18	29	18
Class F – from 201 to 250 g CO ₂ /km	0	2	2
Class G – more than 250 g CO ₂ /km	0	0	0
Total	130	150	117

The renewal of the fleet has reduced average emissions per kilometre considerably, with the figure dropping from 132 g CO₂/km in 2016 to 126 g CO₂/km in 2017.

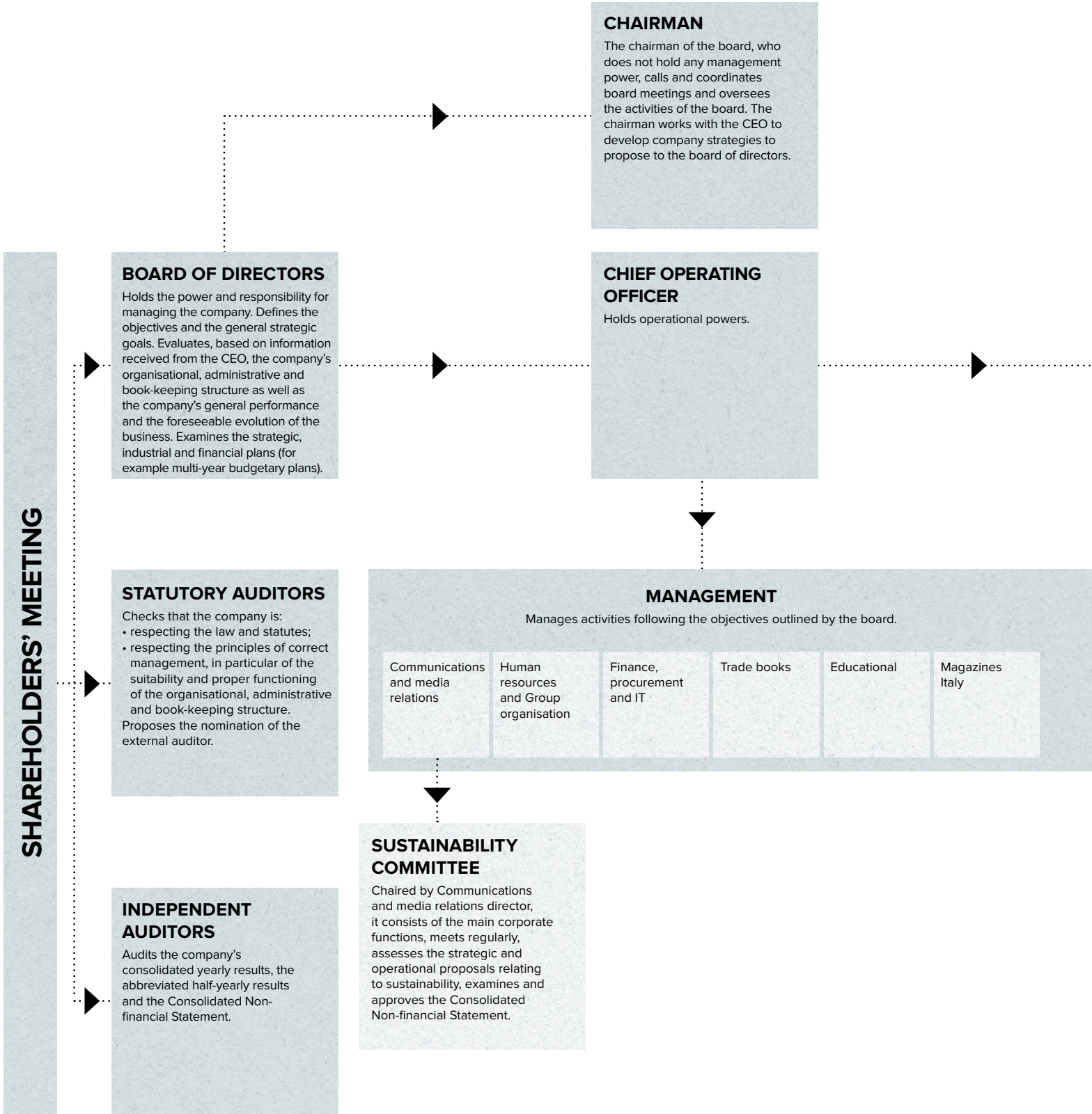
Average CO₂ emissions per km (grams of CO₂ equivalent)

2017	126	C
2016	132	C
2015	131	C

129

GOVERNANCE SYSTEM

The report on corporate governance and ownership structure containing information on the adoption by Arnoldo Mondadori Editore S.p.A. of the Corporate Governance Code for Listed Companies established by Borsa Italiana S.p.A., as well as further information pursuant to art. 123 *bis*, par. 1 and 2 of the Italian Legislative Decree 58 of 24 February 1998 is available – together with this Directors' Report on Operations on the www.mondadori.it website under the Governance section, and through the storage mechanism www.1info.it.



Mondadori
France

Mondadori
Retail

Digital
Innovation

Mediamond

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 Board 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.

Lead Independent Director and the Independent Directors Committee

The Lead Independent Director (LID) is the liaison and coordinator for petitions and contributions from independent directors and non-executive directors.

The Lead Independent Director:

- collaborates with the Chairman of the Board of Directors to ensure the good operation of the Board of Directors and to ensure that the board members receive complete information in a timely manner;
- may call meetings for independent directors only on issues regarding the operation of the Board of Directors or the corporate governance system, with the possibility of inviting members of Group management to report.

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.

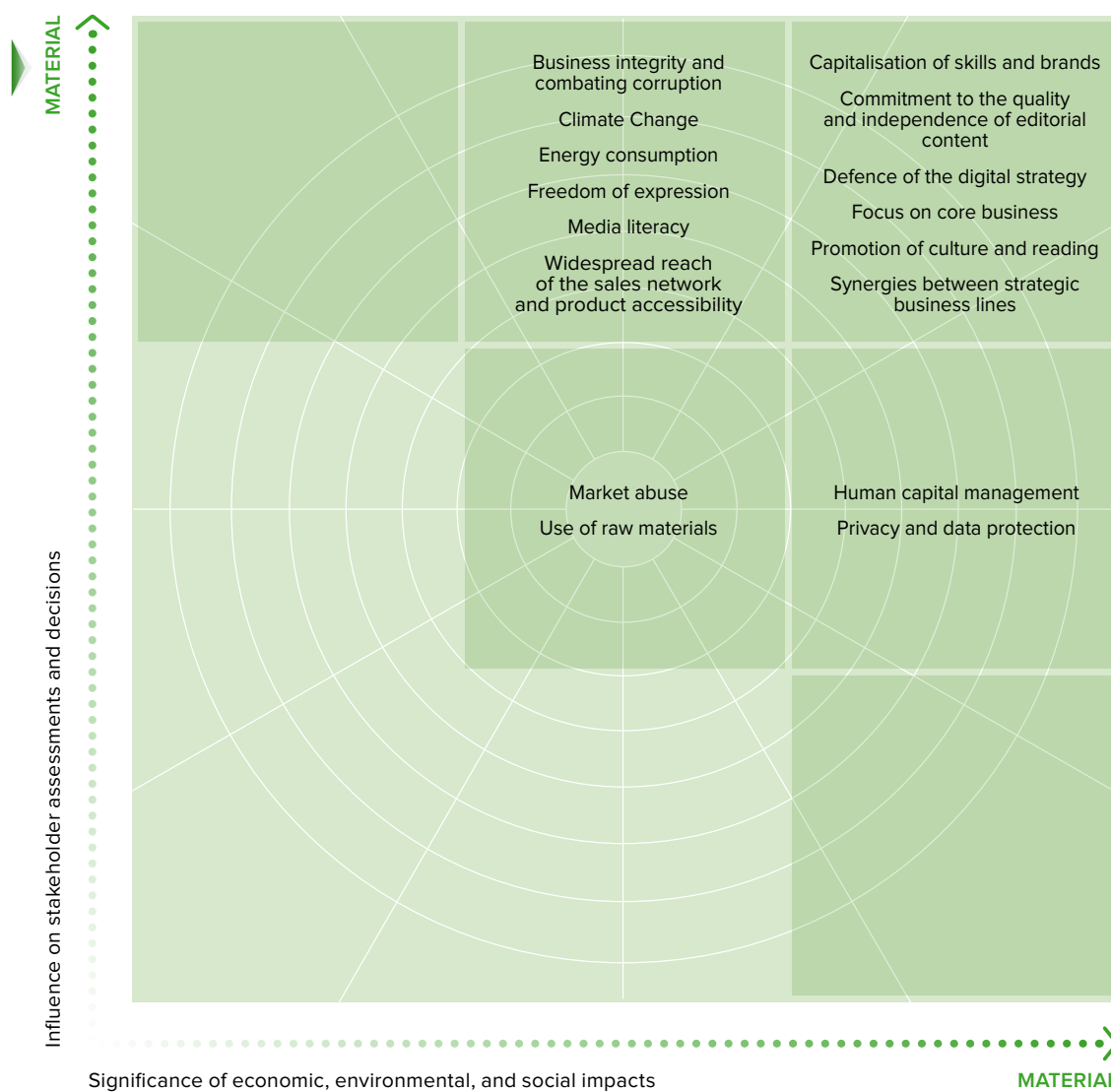
NOTE ON METHODOLOGY

This Non-Financial Statement (NFS) of the Mondadori Group meets the requirements of Italian Legislative Decree 254/2016 concerning the obligation of large public-interest entities to report non-financial information. The objective of the NFS is to facilitate comprehension of the organisational framework, policies, main risks, and performance indicators of the Group in relation to environmental, social and employee matters, respect for human rights, and anti-corruption and

bribery matters that are material to it, considering the business and characteristics of the company (as per Articles 3 and 4 of Italian Legislative Decree 254/2016).

In accordance with the two options provided by Article 5 of Italian Legislative Decree 254/16, this NFS has been incorporated into the Board of Directors' Report on Operations of the Mondadori Group for 2017. This Non-Financial Statement, prepared on an annual basis, is also published on the Group website, www.mondadori.it, as part of the 2017 Annual Financial Report.

2017 materiality analysis



Material topics

Reported below are the outcomes of the materiality analysis carried out by the Group over the course of 2017 to identify the material topics for the Mondadori Group (see *The Process for Identifying Material Topics*, pp. 81–83), in the light of company needs and the expectations of the Group's stakeholders.

Of particular note are the following results:

- the most important issues in terms of their materiality for Mondadori and its stakeholders are: *capitalisation of skills and brands; promotion of culture and reading; and commitment to the quality and independence of editorial content*. Alongside these sustainability issues, priorities also include the business topics: *focus on core business; defence of the digital strategy; and synergies between strategic business lines*.
- The majority of the issues related to the specific business of Mondadori were judged to be material (*widespread reach of the sales network and product accessibility; media literacy; freedom of expression; privacy and data protection; promotion of culture and reading; and commitment to the quality and independence of editorial content*).
- With regard to environmental impacts, the aspects that are most significant for Mondadori and its stakeholders are those linked to: *energy*

consumption; climate change; and use of raw materials. These aspects concern the impacts generated by all company operations and not just those related to the production cycle of paper products, which was identified as a separate material topic in the Sustainability Report published by the Mondadori group in 2016.

- Issues relating to water consumption, health and safety, and diversity were not found to be material by the materiality analysis described in the section *The Process of Identifying Material Topics*. Nevertheless, given the measures put in place by the Group, no risks connected with these topics were found. Specifically, with regard to health and safety, the Company has adopted various procedures and organisational measures to manage and monitor compliance with laws and regulations in force.

In accordance with the GRI-Guidelines, when prioritising the sustainability issues, consideration was given to the relevance of the impact of each issue both within and outside the reporting scope, i.e. along the Mondadori value creation chain.

For greater clarity and to facilitate comparison, the aspects identified by the GRI standards, material topics, and the areas targeted by the Decree have been matched and the relative aspect boundary, and any scope limitations applied, have been stated.

Law 254 areas	Material topic	GRI topic
Human rights	Freedom of expression	Freedom of expression (M)
	Privacy and data protection	Protection of privacy (M)
	Freedom of expression	Representation of human rights (M)
	Commitment to the quality and independence of editorial content	
	Commitment to the quality and independence of editorial content	Cultural rights (M)
Employee-related matters	Human capital management	Employment
	Human capital management	Industrial relations
	Capitalisation of skills and brands	Training and education
Anti-corruption and bribery	Business integrity and combating corruption	Anti-corruption
Environment	Climate change	Emissions
	Energy consumption	Energy
	Use of raw materials	Materials
Social impacts	Market abuse	Anti-competitive behaviour
	Commitment to the quality and independence of editorial content	Political relations
	Business integrity and combating corruption	Socio-economic compliance
	Commitment to the quality and independence of editorial content	Economic performance
	Privacy and data protection	Customer privacy
	Commitment to the quality and independence of editorial content	Content creation (M)
	Widespread reach of the sales network and product accessibility	Disclosure of content (M)
	Media literacy	Media literacy (M)
	Promotion of culture and reading	Interaction with the public (M)

(M) Material topics under G4 Sector Disclosures – Media

*Rizzoli International Publications

	Aspect boundary		Scope limitations	
	Internal	External	Internal	External
Group	-	-	-	
Group	-	-	-	
Group	-	-	-	
Group				
Group	-	Reporting scope partially extended to RIP*	-	
Group	-	Reporting scope not extended to RIP*	-	
Group	Franchisees	Reporting scope partially extended to RIP*	Reporting scope partially extended to franchisees	
Group	-	-	-	
Group	Paper suppliers, distributors, printers and franchisees	Reporting scope partially extended to RIP*	Reporting scope partially extended to distributors and not extended to printers and franchisees	
Group	Paper suppliers, distributors, printers and franchisees	-	Reporting scope not extended to paper suppliers, distributors, printers and franchisees	
Group	Paper suppliers and printers	Reporting scope partially extended to RIP*	Reporting scope not extended to paper suppliers and printers	
Group	-	-	-	
Group	-	-	-	
Group	-	-	-	
Group	-	-	-	
Group	-	Reporting scope partially extended to RIP*	-	
Group	-	-	-	
Group	-	-	-	
Group	-	-	-	
Group	-	-	-	
Group	-	-	-	

Reporting scope and standard

In accordance with the requirements of the Decree, the **reporting scope** coincides with the scope of the consolidated financial statements, including all companies consolidated on a line-by-line basis in financial reporting. Any limitations to the reporting scope are reported in the section *Material Topics*, however they were not considered relevant for the comprehension of the company's business, performance, its results and

the impacts it generates. The **reporting period** for the information and data provided in this Non-Financial Statement is the year 2017.

The **reporting standard** adopted by the Group for the preparation of the Non-Financial Statement is the GRI Sustainability Reporting Standards, published in 2016 by the Global Reporting Initiative (GRI). In particular, as required by GRI 101: Foundation, section 3, this report is GRI-referenced to the Disclosures listed in the following table.

GRI Standards	GRI Disclosure	Description
GRI 102 - General disclosure	102-8	Information on employees and other workers
	102-15	Key impacts, risks, and opportunities
	102-18	Governance structure
	102-41	Collective bargaining agreements
	102-46	Defining report content and topic Boundaries
	102-47	List of material topics
	102-55	GRI content index
GRI 103 - Management Approach	103-1	Explanation of the material topic and its Boundary
	103-2	The management approach and its components
GRI 201 - Economic Performance	201-4	Financial assistance received from government
GRI 205 - Anti-corruption	205-3	Confirmed incidents of corruption and actions taken
GRI 206 - Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
GRI 301 - Materials	301-1	Materials used by weight or volume
	301-2	Recycled input materials used
GRI 302 - Energy	302-1	Energy consumption within the organization
GRI 305 - Emissions	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
GRI 401 - Employment	401-1	New employee hires and employee turnover
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
	402-1	Minimum notice periods regarding operational changes
GRI 402 - Labor/Management	404-1	Average hours of training per year per employee
	404-2	Programs for upgrading employee skills and transition assistance programs
	404-3	Percentage of employees receiving regular performance and career development reviews

GRI Standards	GRI Disclosure	Description	
GRI 415 - Public Policy	415-1	Political contributions	
GRI 418 - Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
GRI 419 - Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	
	M2	Methodology for assessing and monitoring adherence to content creation values	
	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	
	M6	Methods to interact with audiences and results	
	M7	Actions taken to empower audiences through media literacy skills development and results obtained	
GRI G4 - Media Sector Disclosures	GRI 103 - Management Approach	Freedom of Expression	
	103-1 103-2		
	GRI 103 - Management Approach	Cultural Rights	
	103-1 103-2		
	GRI 103 - Management Approach	Portrayal of Human Rights	
	103-1 103-2		
	GRI 103 - Management Approach	Protection of Privacy	
	103-1 103-2		

Reporting process and calculation criteria

The identification of the qualitative information and quantitative data contained in this Non-Financial Statement for 2017 involved all relevant company functions, which acted together with the coordination of the CSR officers.

Specifically, the data reported was selected on the basis of the materiality analysis (see *The Process of Identifying Material Topics*, pp. 81-83) and collected through a collection, aggregation, and transmission process applied to data and information at Group level.

For the preparation of the Consolidated Non-Financial Statement for 2017, Mondadori drew on the support of the Ernst & Young's Climate Change and Sustainability Services Italian team.

Reported below are the main **calculation methods and assumptions** used to measure the non-financial performance indicators reported in this NFS, in addition to the information provided in the various sections:

- the data on penalties refer to cash outlays 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;
- where environmental data was not available, conservative estimates were used, resulting in the underestimation of the company's environmental performance;
- greenhouse gas emissions were calculated by applying the principles indicated in international standard ISO 14064-1. Specifically, only carbon dioxide (CO₂) was considered for the calculation of emissions, except for direct (Scope 1) emissions, which include refrigerant gas leaks of air conditioning units, and primary transport emissions, which include CH₄ and N₂O.

- the emission factors used to calculate the CO_{2eq} emissions disclosed in this report were as follows:

- **Direct (Scope 1) GHG emissions:** 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 refrigerant gas leaks of air conditioning units the GWP from IPCC, 2013: Climate Change 2013: The Physical Science Basis was used;
- **Energy indirect (Scope 2) GHG emissions:** for electricity purchased from the national grid, the emission factor used was taken from International Comparisons prepared by Terna and based on 2015 Enerdata figures;
- **Indirect (Scope 3) GHG emissions:** for emissions connected with air travel by employees for business purposes, the emission factor used was taken from 2017 Defra databases; for train travel, the emission factor used was taken from the 2016 Sustainability Report of Ferrovie dello Stato Italiane; for company cars, the specific emission factors for each car model were used (where possible); and for rental cars, the emission factor associated with the emission classes shown on 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 used was taken from the Confederation of European Paper Industries [CEPI] *Key Statistics 2016* report.

Data for the years 2015 and 2016 may differ slightly to the data reported in the sustainability reports published by the Group in previous years (prepared in accordance with the Sustainability Reporting Guidelines – version G4, published in May 2013 by the GRI) due to the consolidation of data available only after the publication of those reports. For the same reason, the data for 2017 represents the best possible estimates based on the data available at the time this report was prepared.

This NFS was approved by the Board of Directors of Arnoldo Mondadori Editore S.p.A. on 13 March 2018.

This NFS has been externally assured by an independent assurance provider. Its conclusions regarding the compliance of the information provided with Article 3 (10) of Italian Legislative Decree 254/2016 are set out in a separate external assurance report. The procedures followed for the assurance of the NFS are disclosed in the *Independent Auditors' Report* annexed to this report (pp. 144-147).

GRI CONTENT INDEX

GRI Standard	Disclosure	Page reference	Omission
GRI 102: General Disclosures			
Organizational Profile			
	102-8 Information on employees and other workers	pp. 98-99; 100-103; 104	
Strategy			
	102-15 Key impacts, risks, and opportunities	pp. 85-87	
Governance			
	102-18 Governance structure	pp. 130-131	
Stakeholder engagement			
	102-41 Collective bargaining agreements	pp. 105-106	
Reporting practice			
	102-46 Defining report content and topic Boundaries	pp. 81-83; 132-135	
	102-47 List of material topics	pp. 81-83; 133-135	
	102-55 GRI content index	pp. 140-143	
Material Topics			
GRI 200 Economic Standard Series			
Economic performance			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 88-89	
GRI 201 - Economic Performance	201-4 Financial assistance received from government	pp. 88-89	
Anti-corruption			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 98	
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	p. 98	
Anti-competitive Behavior			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 98	
GRI 206: Anti-competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p. 98	

GRI Standard	Disclosure	Page reference	Omission
GRI 300 Environmental Standards Series			
Materials			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 114-116; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 114-116; 116-121; 126-129	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	pp. 114-116; 116-121	
	301-2 Recycled input materials used	pp. 114-116	
Energy			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 121-125; 126-129	
GRI 302: Energy	302-1 Energy consumption within the organization	pp. 121-125	
Emissions			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 81-84; 85-87; 117; 121-125; 126-129	
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	pp. 121-122; 124; 138	
	305-2 Energy indirect (Scope 2) GHG emissions	pp. 121-123; 124; 125; 138	
	305-3 Other indirect (Scope 3) GHG emissions	pp. 117; 121-123; 124-125; 138	
			Quantification of the significant impacts linked to transport is currently extended only to magazine distributors with regard to CO ₂ emissions
GRI 400 Social Standards Series			
Employment			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 98-104; 104-105; 111-113	
GRI 401: Employment	401-1 New employee hires and employee turnover	pp. 99-100	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 112	

GRI Standard	Disclosure	Page reference	Omission
Labor/Management Relations			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 105-106	
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	pp. 105-106	
Training and Education			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 106-110	
GRI 404: Training and Education	404-1 Average hours of training per year per employee	pp. 108-109	
	404-2 Programs for upgrading employee skills and transition assistance programs	pp. 108; 110	
	404-3 Percentage of employees receiving regular performance and career development reviews	pp. 108; 110	
Public Policy			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 88-89	
GRI 415: Public Policy	415-1 Political contributions	p. 89	
Customer Privacy			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 95-96	
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 96	
Socioeconomic Compliance			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 97	
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	p. 97	
Content Creation*			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 88-89; 89-92	
M2	Methodology for assessing and monitoring adherence to content creation values	pp. 83-84; 88-89; 89-92	

GRI Standard	Disclosure	Page reference	Omission
Content Dissemination*			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 89-92; 93-94	
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. 89-92; 93-94	
Audience Interaction*			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 94-95	
M6	Methods to interact with audiences and results	pp. 94-95	
Media Literacy*			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 92-93	
M7	Actions taken to empower audiences through media literacy skills development and results obtained	pp. 92-93	
Freedom of expression*			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 89-92	
Portrayal of Human Rights*			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 89-92	
Cultural rights*			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 89-92	
Protection of privacy*			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 81-83; 85-87; 133-135	
	103-2 The management approach and its components	pp. 83-84; 85-87; 95-96	

*GRI G4 Media Sector Disclosure

For the Board of Directors
The Chairman
Marina Berlusconi



**INDEPENDENT
AUDITORS'
REPORT**

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter the "Decree") and to article 5 of the CONSOB Regulation n. 20267, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Arnoldo Mondadori Editore S.p.A. and its subsidiaries (hereinafter the "Mondadori Group" or the "Group") as of December 31, 2017 prepared on the basis of article 4 of the Decree, presented in the specific section of the report on operations, and approved by the Board of Directors on March 13, 2018 (hereinafter the "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), with reference to the selection of GRI Standards, which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

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Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards, with reference to the selection of GRI Standards. We conducted our work in accordance with the criteria established in the *"International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of article 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Mondadori Group.
4. Understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a).

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Arnoldo Mondadori Editore S.p.A. and with the employees of the main legal entities of the Group and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following companies, Arnoldo Mondadori S.p.A. and Mondadori France S.a.s., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Mondadori Group as of December 31, 2017 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards, with reference to the selection of GRI Standards.

Other Matter

With reference to the year ended December 31, 2016, the Group prepared a Sustainability Report 2016, whose data were used for comparative purposes within the NFS. This Sustainability Report was voluntarily examined with a limited assurance engagement in accordance with ISAE 3000 Revised and we expressed an unmodified conclusion on April 7, 2017.

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DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Camosci
Partner

Milan, Italy
March 29, 2018