

**REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE**  
PURSUANT TO ART. 123-BIS OF LEG. DECREE NO. 58/1998

**FINANCIAL YEAR 2018**

**Approved by the Board of Directors of  
Arnoldo Mondadori Editore S.p.A.  
on 14 March 2019**

**GRUPPO  MONDADORI**

**[www.mondadori.it](http://www.mondadori.it)**

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**Arnoldo Mondadori Editore S.p.A.**  
**Via Bianca di Savoia 12**  
**Share capital EUR 67,979,168.40 fully paid-up**  
**Milan-Monza-Brianza-Lodi Company register and tax code 07012130584**  
**www.mondadori.it**

**Report on Corporate Governance  
and Ownership Structure  
pursuant to Article 123-bis of Italian Legislative Decree 58/1998  
Financial Year 2018**

## **1. GROUP PROFILE**

### **INTRODUCTION**

As a leading media company, the Mondadori Group operates in two main areas: books and magazines.

The Group is a major publisher of trade books under the brands Mondadori, BUR, Giulio Einaudi editore, Fabbri Editori, Frassinelli, Piemme, Rizzoli and Sperling & Kupfer. It is also a leading scholastic publisher with Mondadori Education and Rizzoli Education: art and illustrated books are published through the subsidiary Mondadori Electa, which is also active in museum licensing and the organisation and management of exhibitions and cultural events. Through Rizzoli International Publications, the Group also has a presence in the United states and around the world in the illustrated books sector.

The book business comprises the operations of Mondadori Retail, which manages the largest network of bookshops in the country, with over 600 retail outlets (operated directly and as franchises) and e-commerce websites.

The Group is also Italy's main publisher of magazines, both printed and digital, owning the most well-known brands in Italy: *Donna Moderna*, *Grazia*, which is also published internationally, *Chi*, *Tv Sorrisi e Canzoni*, *Giallo Zafferano*, and design, interior design, cooking and lifestyle magazines.

Since 2006, the Group has been present in France with Mondadori France, one of the leading consumer magazine publishers, for which a divestment process is currently underway, in line with the strategy of focusing core business.

The company is also present at an international level through the subsidiary Mondadori International Business, with numerous editions of its brands, published through joint ventures directly or through licensing agreements with international publishers.

Throughout its history of more than a century in the making, the Mondadori Group has remained loyal to its original mission: the dissemination of culture and ideas through products, activities and innovative services that respond to the needs and tastes of the public. In its vision, Mondadori combines the love of culture and publishing quality with market laws, the propensity to foretell and anticipate changes while respecting and safeguarding the values that constitute the basis of a publisher's role in civil society.

## **2. INFORMATION ON THE OWNERSHIP STRUCTURE**

### **STRUCTURE OF SHARE CAPITAL. SHARE STRUCTURE AND RIGHTS**

As at the date of approval of this Report, the share capital of Arnoldo Mondadori Editore S.p.A. was equal to EUR 67,979,168.40, fully subscribed and paid-up, split into 261,458,340 ordinary shares of a value of EUR 0.26 each. Shares are issued through a central securities depository in paperless form, and they are traded on the Electronic Share Market (MTA) – STAR segment organised and run by Borsa Italiana S.p.A.

The structure of the share capital as of 31 December 2018 is shown in Table 3, annexed to this Report.

Mondadori shares are registered, indivisible, and freely transferable shares which grant the holder the right to vote at Ordinary and Extraordinary Shareholders' Meetings in accordance with laws in force and the Articles of Association. They grant the holder additional administrative and capital rights in compliance with laws on shares with voting rights.

There are no other classes of shares or securities that are not traded on regulated markets.

No other financial instruments are issued that confer the right to subscribe to newly-issued shares.

The Shareholders' Meeting of 27 April 2017 resolved to amend article 7 of the Articles of Association by introducing the so-called "Vote increase", referred to in Article 127-*quinquies* of Legislative Decree no. 58/1998, providing for a double voting right to be assigned to each share that belonged to the same subject for a continuous period of not less than 24 months, starting from the registration in the special list established by the Company.

### **RESTRICTIONS ON THE TRANSFER OF SHARES**

There are no restrictions on the transfer or holding of shares, nor are there any prior approval clauses on the part of the Company or other holders of securities as regards the transfer of shares.

### **MAJOR SHAREHOLDERS IN THE SHARE CAPITAL**

Please refer to Table 3 annexed to this Report as regards the significant shareholdings, in excess of 3% of the capital, or above the relevant threshold, held directly or indirectly, according to the results of the shareholders' register integrated by the communications received pursuant to Art. 120 of Legislative Decree no. 58/1998 and other available information

**OVER THE COURSE OF 2018, THERE WAS A DECREASE IN THE MARKET CAPITALIZATION OF THE COMPANY'S SHARES BY APPROXIMATELY -18%.**

### **SHARES THAT CONFER SPECIAL CONTROL RIGHTS**

No shares were issued that confer special control rights.

### **EMPLOYEE STOCK OWNERSHIP: MECHANISM TO EXERCISE VOTING RIGHTS**

There is no specific mechanism for the exercise of voting rights that can be applied to an employee stock ownership plan.

### **RESTRICTIONS ON VOTING RIGHTS**

There are no restrictions on the exercise of voting rights, except for treasury shares held by the Company for which the right to vote is suspended pursuant to Art. 2357-ter of the Civil Code.

## **SHAREHOLDER AGREEMENTS**

The Board of Directors is not aware of the existence of any shareholder agreements as per Article 122 of Legislative Decree 58/1998 as regards the exercise of shareholders' rights or the transfer of shares.

## **CHANGE OF CONTROL CLAUSES**

In the month of December 2017, a new loan agreement was made with a pool of banking institutions following the negotiation of credit facilities for a total amount of 450 million euro. The agreement calls for the potential early repayment of shareholders should the ownership structure of the Company change, which is customary for contracts of this nature. AME is held to communicate any event that causes a change of control of AME to the agent bank within 5 working days. Within 30 working days, each lending bank may notify AME of the cancellation of its commitments in relation to the credit lines provided by the loan; AME will then have to repay the amount of the amounts and advances paid by this lending bank (together with any other amount due) in full within 15 working days.

## **AUTHORISATION TO INCREASE THE SHARE CAPITAL AND PURCHASE TREASURY SHARES**

In accordance with Article 2357 of the Italian Civil Code, in consideration of the expiration of the present shareholders' meeting authorization provided on 24 April 2018 and to ensure that the Board of Directors maintains the authorization to seize any opportunities for the investment and trading of treasury shares of the company, on 27 April 2017 the Ordinary Shareholders' Meeting authorised the purchase of treasury shares. The Shareholders' Meeting furthermore authorised, pursuant to Article 2357-*ter* of the Italian Civil Code, the use of treasury shares purchased for the reasons listed below.

The main aspects of the purchase programme authorised by the Shareholders is as follows:

### 1. Reasons

- ✓ to use bought-back treasury shares as consideration for the acquisition of equity investments under the Company's investment policy;
- ✓ to use treasury shares purchased by means of the exercise of rights, including conversion rights or other options on financial instruments issued by the Company, subsidiaries or third parties, and to use the treasury shares for exchanges or conferrals of shares or to service extraordinary capital transactions or borrowing or incentives that involve the allotment or disposal of treasury shares;
- ✓ to carry out, directly or through brokers, investment transactions, also with a view to containing sharp swings in listed prices, normalizing trading and price trends and supporting the liquidity of stock on the market, in order to promote regular trading conditions independently of the normal variations tied to market trends, all in compliance with regulations in force;
- ✓ to make investment or divestment opportunities available when deemed to be to the strategic benefit of the Company, and in proportion to available liquidity;
- ✓ to use the treasury shares to service equity incentive plans, pursuant to Article 114-*bis* of Italian Legislative Decree 58/1998, and programmes for the bonus issue of shares to shareholders.

### 2. Maximum number of shares that may be purchased

Authorisation is requested for the purchase of a maximum number of treasury shares – taking into account the number of shares held, directly or indirectly, in the portfolio – equal to no more than 10% of the share capital.

### 3. Purchase methods and information on the minimum and maximum price

Purchases will be executed in compliance with (i) the combined provisions of Article 132 of Italian Legislative Decree 58/1998 and Article 5 of Regulation (EU) No. 596/2014, (ii) Article 144-*bis* of Consob Regulation 11971/1999, (iii) European and national regulations on market abuse, and (iv) permitted market practices. Purchases will take place on regulated markets in accordance with operating methods that do not allow purchase negotiation offers purchase to be directly matched with pre-determined sales offers.

Acts of disposal of treasury shares may be used for their sale on regulated markets following procedures in compliance with applicable regulations, or as payment for the acquisition of equity investments within the Model of the investment policy guidelines of the Company. Treasury shares may only be disposed of (i) to exercise conversion rights or other options on financial instruments issued by the Company, subsidiaries or third parties at a price corresponding to the relative exercise or conversion price, and (ii) to exercise the options allocated to beneficiaries under equity incentive plans, at the price provided for in the Regulations.

The minimum and maximum amount that may be paid for the purchase of shares is based on the official stock market share price of Arnoldo Mondadori Editore S.p.A. on the day before the purchase reduced by 20%, and not higher than the official stock market price on the day before that on which the purchase will take place, increased by 10%.

In terms of purchase prices and daily volumes, any purchase transactions will be performed in compliance with the conditions set forth in Article 3 of Delegated Regulation (EU) 2016/1052, and namely:

- the Company will not purchase treasury shares at a price higher than the highest price of the last independent trade and the highest current independent bid on the regulated market where the purchase is carried out;
- in terms of volumes, daily trading volumes for the purchase of shares by the Company will not purchase more than 25% of the average daily volume of Arnoldo Mondadori Editore S.p.A. shares traded in the 20 trading days preceding the date of purchase.

Purchases relating to (a) the activity of supporting market liquidity; and (b) the purchase of treasury shares for the formation of a so-called “warehouse” stock, shall also be executed in compliance with the conditions established by market practices pursuant to the combined provisions of Art. 180, para. 1(c), of Leg. Decree no. 58/1998 and Art. 13 of Regulation (EU) 596/2014.

The Board of Directors may use treasury shares (a) for their sale on regulated markets, as payment for the acquisition of equity investments within the Model of the Company’s investment policy guidelines, or to satisfy the exercise of conversion rights or other options on financial instruments issued by the Company or by third parties, providing that the price or unit value of the shares is no less than 80% of the price of the share on the stock market in the trading session prior to each transaction; (b) for equity incentive plans approved by the Shareholders’ Meeting, as per the relative Regulations. In accordance with the provisions laid down in Article 2357, para. 1 of the Italian Civil Code, purchases will be executed within the limits available in the “extraordinary reserve”, as determined by the latest regularly-approved financial statements.

### 4. Duration

Authorisation to purchase treasury shares is given until the approval of the financial statements as at 31 December 2018, whereas authorisation to trade in treasury shares is given without time limits.

### **PURCHASES EXECUTED DURING THE FINANCIAL YEAR**

On 25 June 2018, the Company announced to the market the start of a treasury share buyback programme, as per Article 5 of EU Regulation No. 596/2014, in application of the Shareholders’ Meeting resolution of 24 April 2018 authorising the buyback and trade of treasury shares up to a maximum amount of 0.472% of the share capital, aimed at furnishing the Company over the three-year period 2018-2020 with the 1,236,065 million shares

needed to meet the obligations connected with the 2018-2020 Performance Share Plan approved by the same Shareholders' Meeting and for the continuation of the programme for the purchase of treasury shares necessary to support the 2017-2019 Performance Share Plan, launched on 26 June 2017 in the manner and within the limits laid down in the relevant Regulation.

On 31 December 2018, the number of treasury shares held, directly or indirectly, by Arnoldo Mondadori Editore S.p.A. amounted to 1,346,703 (0.515% of the share capital), inclusive of the 80,000 treasury shares purchased between 30 November and 2 December 2016 under authorisation of the Shareholders' Meeting of 21 April 2016, as instrumental for activities to support the market liquidity of stock by the specialised operator Equita Sim S.p.A. for trading on the STAR segment.

As at the date of approval of this Report, the total number of treasury shares held by Arnoldo Mondadori Editore S.p.A. was unchanged with respect to 31 December 2018.

### **MANAGEMENT AND COORDINATION ACTIVITIES (PURSUANT TO ARTICLES 2497 ET SEQ. OF THE ITALIAN CIVIL CODE)**

While holding a controlling shareholding pursuant to Art. 2359 of the Civil Code, Fininvest S.p.A. does not exercise management and coordination activities pursuant to Articles 2497 et seq. of the Civil Code on Arnoldo Mondadori Editore S.p.A., limiting itself to the financial management of the equity investment held in the same.

The following is specified:

- the disclosures required by point (i) of Article 123-bis(1) of Italian Legislative Decree 58/1998 on “agreements in place between the Company and its directors which call for severance pay in the event of resignation or dismissal without just cause, or in the event of termination of employment as a result of a public offer for purchase”, are provided in the Remuneration Report, prepared and published pursuant to Article 123-ter of Italian Legislative Decree 58/1998;
- the disclosures required by point (l) of Article 123-bis (1) of Italian Legislative Decree 58/1998, on “the rules applicable for the appointment and replacement of directors... and for amendments to the by-laws, if different to the legislative and regulatory provisions applicable by default”, are provided in section 4 on the Board of Directors of this Report.

### **3. COMPLIANCE**

Arnoldo Mondadori Editore S.p.A. endorses the general principles of the Self-Governance Code (“the Code”) in the version published in July 2018, accessible to the public at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>, as a model of reference for the outline of its own organisational structure and corporate governance practices.

Prior to the issuance of the Code, various aspects of the business and corporate organisational structure were already substantially in line and adequate with respect to the indications subsequently provided by the Code itself, while others were introduced as part of a process of gradual adjustment consistent with the specific characteristics of the business and corporate organisation of the Issuer.

Below is a description of the corporate governance system applied by the Company and an indication of the methods and actions to adapt the Code of Conduct implemented or planned for each prescription, in stating that the Company has adopted the traditional model of administration and control.



## 4. BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors was appointed by the Shareholders' Meeting on 24 April 2018 with a term of office of three years, and thus concluding with the Shareholders' Meeting to approve the financial statements as at 31 December 2020.

At the end of the reporting year, the Board of Directors was comprised of 14 directors, as follows:

- 4 executive directors:

**Marina Berlusconi**, Chairperson.

Though the Chairperson does not individually have management authority in the Company, she qualifies as an executive director because she works alongside the Chief Executive Officer on the development of business strategies to be submitted to the Board of Directors for approval.

**Ernesto Mauri**, Chief Executive Officer.

**Oddone Maria Pozzi**, who qualifies as an executive director based on his executive positions in the Company, namely as Chief Financial Officer – Finance, Procurement and IT Systems.

**Mario Resca**, who holds the position of Chairman of Mondadori Retail S.p.A., a subsidiary operating in the retail of direct sales to customers, identifiable as a company of strategic importance to the Group. Though Mario Resca's appointment as Chairman does not entail individual management authority, it does entail a role in the development of business strategies relevant to the field of retail.

- 10 non-executive directors, defined as such because they neither hold individual management authority or executive positions in the Company (or in companies of strategic importance to the Group), nor do they hold such positions in the parent company that may be relevant to the management of the Company:

**Paolo Guglielmo Luigi Ainio**

**Pier Silvio Berlusconi**

**Elena Biffi** - also an independent director

**Francesco Currò**

**Patrizia Michela Giangualano** - also an independent director

**Martina Forneron Mondadori** - also an independent director

**Danilo Pellegrino**

**Roberto Poli**

**Angelo Renoldi** - also an independent director

**Cristina Rossello** - also an independent director

Professional and personal biographies of each member of the Board of Directors can be found on the website at [www.mondadori.it](http://www.mondadori.it) – Governance section.

Refer to Table 1 annexed hereto for details on the composition of the Board of Directors.

### APPOINTMENT AND REPLACEMENT OF DIRECTORS

The appointment and replacement of directors are governed by current legislation, as amended, within the limits allowed by the provisions of the Articles of Association.

The provisions of Art. 17 of the current Articles of Association on the methods and procedure for the appointment of directors through the list voting system.

On 27 April 2017, the Shareholders' Meeting approved amendments to some of the Articles of the Articles of Association, including Article 17. The amendment in question did not concern the procedures or requirements for submitting lists, and the minimum ownership ceiling for the submission of lists in the value identified by Issuers' Regulation remained unchanged, as established annually by Consob on the basis of the average market capitalisation of companies in the last quarter of each year. Under Consob Resolution No. 13 of 24 January 2019, the current minimum ownership stake required to submit a list of candidates for Arnoldo Mondadori Editore has been set at 2.5% of its share capital.

The same minimum ownership stake of 2.5% was applicable when the Board of Directors were appointed at the Shareholders' Meeting on 24 April 2018.

Without prejudice to the list voting mechanism, the changes concerned the appointment procedures, providing for the "Blocked lists" system instead of the previously existing quotient system.

The changes introduced ensure compliance with the independence requirements of Board members required by Legislative Decree no. 58/1998, as well as legislation currently in force on gender balance (Law no. 120 of 12 July 2011). The latter requires that at least one-third of the members of corporate bodies in such companies must be comprised of the "lesser-represented gender". For the first renewal subsequent to the entry into force of the law, the proportion must be at least one-fifth.

Appointed by the Shareholders' Meeting of 24 April 2018, the Board of Directors is comprised of one-third of the less represented gender in compliance with current legislation on gender balance. Upon the first renewal of the administrative body after one year from the entry into force of the aforementioned Law, the Shareholders' Meeting of 23 April 2015 had already appointed the members of the Board, ensuring that at least one fifth was of the less represented gender.

Pursuant to Art. 17, para. 3 of the Articles of Association, for the purposes of the breakdown of directors to appoint, lists that have not obtained a number of votes at least equal to half the number requested for the relevant submission are not taken into account. 147-ter of Leg. Decree no. 58/1998.

The provisions of the Articles of Association that govern the composition and appointment of the Board of Directors are suitable for guaranteeing compliance with the provisions of law pursuant to Art. 147-ter of Legislative Decree no. 58/1998 and related implementing regulations, as indicated in Art. 17 of the Articles of Association.

The Company is not subject to additional rules on the composition of the Board of Directors in addition to those provided for by the Civil Code and Legislative Decree no. 58/1998, as well as that referred to in Art. 17 of the Articles of Association reported below.

It is also specified that the Issuer, as a result of the self-assessment process conducted for the year 2017 and renewed for the 2018 financial year by the Egon Zenhnder company, as better specified in the paragraph "AUTO-VALUTATION OF THE BOARD OF DIRECTORS, following the shared appreciation both for the board's qualitative and quantitative profile with respect to the experience and skill represented, and for the functioning logic of the body itself in terms of efficiency and effectiveness in the decision-making process, based on the valuation by Egon Zenhnder, it did not consider it necessary to launch a process during the 2018 financial year

for the identification of guidelines in relation to professional, managerial and experience aspects, as it deemed them to be adequate to ensure the optimal composition of the Board of Directors.

**Article 17 of the Articles of Association:**

17.1 The Company is managed by a Board of Directors composed of seven to fifteen directors, who must meet the requirements provided for by applicable primary and secondary regulations, and whose terms of office may also be renewed.

17.2 Prior to their nomination, the Board Meeting determines the number of Board members and their duration of office in respect of the legal term limits.

17.3. The Board of Directors is appointed by the Shareholders' Meeting on the basis of lists containing no more than fifteen candidates, with each being attributed a progressive number. A candidate may only be named on one list, otherwise s/he shall be ineligible for election. Shareholders with voting rights may submit lists individually or jointly with other shareholders, when they represent at least that percentage subscribed as of the date of submission of the list, determined and published by Consob pursuant to the regulation adopted by means of Resolution No. 11971 of 14 May 1999 and subsequent changes and supplements (hereinafter referred to as the "Issuers' Regulation"). The ownership of a percentage of the share capital is determined by taking into account the shares that have been registered to shareholders on the day on which the list is filed with the Company, with reference to the capital subscribed as of the same date. The relevant confirmation or certification may also be communicated or produced subsequent to the filing of the list, provided that this is served to the Company within the term established for the disclosure of the lists by the Company. The company hereby allows shareholders who wish to submit lists to submit them by remote means of communication, according to the criteria that it will indicate in the relevant call for the Shareholders' Meeting and that allow the identification of shareholders who will submit them. The minimum equity interest required for the submission of lists of candidates for election to the Board of Directors is specified in the relevant call for the Shareholders' Meeting to resolve on the appointment of the board. Each shareholder may neither file nor vote for more than one list, either directly or through nominees or trust companies. Shareholders belonging to the same group (herein intended as the parent company, subsidiaries and companies under joint control) and shareholders who have signed a Shareholders' Agreement pursuant to Article 122 of Italian Legislative Decree 58/1998 referring to the Issuer's shares, may not submit nor vote more than one list, either directly or through nominees or trust companies. Each list containing a number of candidates not exceeding seven must provide for and identify at least one candidate with the requisites required by Legislative Decree no. 58/1998 for independent directors of listed companies (hereinafter also referred to as "Independent Directors pursuant to Legislative Decree 58/1998" or "Independent Director pursuant to Legislative Decree 58/1998"). Each list containing a number of candidates greater than seven must provide for and identify at least two candidates having the requisites required for Independent Directors pursuant to Legislative Decree 58/1998. In order to ensure the balance between genders in accordance with the regulations currently in force, each list that contains a number of candidates equal to or greater than three must provide for the presence of candidates of both genders, so that at least one-third of the candidates is represented by the less represented gender, rounded off in the event of an odd number. The lists are filed with the Company no later than the twenty-fifth day prior to the date of the Shareholders' Meeting called in first or single call to deliberate on the appointment of the members of the Board of Directors, made available to the public at its registered office, website and with other methods provided for by applicable regulatory provisions at least twenty-one days before the date of the Shareholders' Meeting. The lists are accompanied by the following: a) information on the identity of the shareholders who presented the lists, indicating the total percentage of shares held; b) a declaration by the shareholders who presented the lists other than those who hold, even jointly, a controlling or relative majority shareholding, certifying the absence or the presence of connection relationships with the latter, as provided for by Art. 144-quinquies, first paragraph, of the Issuers Regulation; c) exhaustive information on the personal and professional characteristics of the candidates, as well as a declaration by the same certifying the possession of the requisites required by law and their acceptance of the candidacy, and any potential possession of the independence requirements provided for by Article 148, paragraph 3 of Legislative Decree no. 58/1998. Lists submitted that do not comply with the foregoing provisions will not be presented for voting. Before the vote, the Chairman of the meeting will make reference to any of the declarations under letter (b), inviting meeting participants who have not filed or contributed to the filing of any lists, to declare any potential interest as specified above. Should any individual deemed connected with one or more shareholders vote for a minority list, the existence of such relation becomes relevant only if the vote is decisive for the appointment of the director. In relation to the breakdown of the directors to appoint, lists that have not obtained a number of votes at least equal to half the number requested for the relevant submission are not taken into account.

17.3-bis In the event that more than one list has obtained the percentage of votes required pursuant to the previous paragraph, the election of directors is carried out as follows: a) the number of candidates are elected as directors, contained in the list that obtained the most votes, as per: (i) the directors to be elected with the exception of the last, according to the progressive order of the list, or (ii) they are indicated in the list itself if their number is less than the number of directors to be elected; b) the remaining director is also elected, or a larger number of directors if the case referred to in point (ii) above occurs, taken from the list that receives the second highest number of votes and is not connected, even indirectly, with the shareholders who presented or voted for the list that received the highest number of votes. If more than one director is drawn from this second list, the candidates indicated therein will be elected in the progressive order of the list. If there are two or more lists that have obtained an equal number of votes, the one presented by the highest share of capital will prevail, or in the event of a tie, by the greatest number of shareholders. The candidate listed at the top of the list that has obtained the highest number of votes is appointed Chairman of the Board of Directors. If the majority list does not elect Independent Directors pursuant to Legislative Decree 58/1998 in the minimum number required by law and regulations, instead of the candidate indicated in first place on the list that came second in number of votes, the first candidate, in progressive order, of this list that has the aforementioned independence requirements will be elected. If, as a result of the above voting and operations, the composition of the Board of Directors does not comply with the pro tempore regulations in force on gender balance, as many candidates elected as necessary will be excluded, drawn from those who are on the majority list and in the last in the order of preference, replacing them with the candidates of the less represented gender taken from the same list on the basis of the progressive order of the list itself, provided that the minimum number of Independent Directors pursuant to Legislative Decree 58/1998 required by the pro-tempore provisions in force is met. If abiding by the previous paragraphs of this paragraph does not ensure the required result in terms of Independent Directors pursuant to Legislative Decree 58/1998 and/or gender balance, the replacement will take place with a resolution adopted by the Shareholders' Meeting with a relative majority, subject to the presentation of candidates with the requisites of independence or belonging to the less represented gender.

17.4 If only one list has been presented, the Shareholders' Meeting expresses its vote, and if it obtains the majority required by Articles 2368 et seq. of the Civil Code, the candidates are elected as listed in progressive order, up to the number established by the Shareholders' Meeting. The candidate indicated at the top of the list is elected as the Chairman of the Board of Directors. In doing so, if the Board being nominated does not comply with the provisions in force on independent directors and/or gender balance, the procedure described above will be mutatis mutandis as described in paragraph 3-bis.

17. 5 In the absence of lists or in the event that none obtains the percentage of votes indicated in paragraph 3, or if the number of candidates elected is less than the number established by the Shareholders' Meeting by the voting list mechanism, the Board of Directors is respectively appointed or supplemented by the Shareholders' Meeting with the legal majorities.

17. 6 In the event of termination of office of one or more directors, those remaining in office shall provide for their replacement by co-option pursuant to and for the purposes of Art. 2386 of the Civil Code, without prejudice to the obligation to respect the minimum number of Independent Directors pursuant to Legislative Decree 58/1998 and the pro-tempore provisions in force on gender balance. In particular: a) if the departing director had been taken from a list containing the names of candidates not elected, the replacement is carried out by appointing persons drawn from the list to which the director who has ceased to hold office in a progressive order, provided that (i) he/she is currently eligible and willing to accept the office and (ii) that the provisions in force on gender balance are met; b) if an Independent Director has departed pursuant to Legislative Decree 58/1998, the Board of Directors makes the replacement by appointing the first of the independent candidates not elected from the list from which the departing independent director was on, provided that the pro tempore provisions in force on gender balance are respected; c) if there are no candidates previously elected on the aforementioned list, or if the substitution methods do not allow compliance with the Board of the minimum number of Independent Directors pursuant to Legislative Decree 58/1998 and pro-tempore legislation in force on the less represented gender, or in the event that no lists were presented at the time of the election, the Board of Directors will replace the directors who have ceased to hold office without observing the provisions of the previous letters (a) and (b), in compliance with legislation currently in force on independent directors and gender balance. The appointment of directors to replace those who have ceased to hold office, even following their co-optation, is freely carried out with the majorities provided by law, without prejudice to the obligation to respect the minimum number of Independent Directors pursuant to Legislative Decree 58/1998 and the pro-tempore provisions in force on gender balance.

It should be noted that the appointment of the members of the Board of Directors by the Shareholders' Meeting of 24 April 2018 took place on the basis of the lists presented, pursuant to Art. 17 of the Articles of Association and in compliance with the applicable laws and regulations, by a majority shareholder Fininvest S.p.A., holder of a 53.299% stake of the share capital for a total of 139,355,950 shares, and by a group of Shareholders formed by asset management companies and institutional investors holding a total of 8,065,686 shares, for 3.084% of the share capital.

These lists are accompanied by declarations with which the individual candidates accept their candidacy and attest to the non-existence of causes of ineligibility and incompatibility as well as the existence of the requisites prescribed by the current regulations for the respective offices with the possible indication of their suitability to qualify as independent, pursuant to the Self-Governance Code and Art. 147-*ter* of Legislative Decree no. 58/1998 and applicable rules.

There are no formal succession plans for the executive directors in consideration of the statutory and regulatory rules provided for the appointment and renewal of the Board of Directors deemed appropriate, also in taking the composition of the Board and delegated powers into account.

#### **FUNCTIONS AND ACTIVITIES OF THE BOARD OF DIRECTORS**

The system of delegation of powers is such as to maintain the central role of the Board of Directors within the business and corporate organisation, which, as per the Articles of Association, has all the broadest powers for the ordinary and extraordinary management of the Company, except for those mandatorily reserved by law for the exclusive competence of the Shareholders' Meeting, and to which the functions and responsibility to determine the strategic and organisational guidelines for the Company and Group belong.

Specifically, the Board of Directors, in accordance with the provisions of the Self-Governance Code:

- examines the plans proposed by the Chief Executive Officer regarding the industrial and financial strategy of the Company and Group, approving them in general terms and ensuring that they are implemented;
- examines and approves the system of corporate governance of the Company and the structure of the Group;
- with the assistance of and on the basis of the indications of the relevant Committee, determines the guidelines to be followed for the system of internal control and risk management; at the same time, it also determines how compatible any risks are with the management of the Company, so that the latter is in keeping with established strategic objectives, including in its valuations also the risks that could become significant insofar as sustainability of operations over the medium-long term; at least once a year, assesses the adequacy of the system of internal control and risk management as it relates to the Company's characteristics and risk profile, while also assessing its effectiveness;
- approves the work plan prepared by the Head of the Internal Audit function on at least an annual basis, after consulting with the Board of Statutory Auditors and the director in charge of the internal control and risk management system;
- appoints and removes the Head of the Internal Audit function upon the recommendation of the director in charge of the internal control and risk management system, and subject to the favourable opinion of the Control and Risk Committee, following consultation with the Board of Statutory Auditors. With the support of the Control and Risk Management Committee, it verifies that the Internal Audit function is provided with the adequate resources to carry out its responsibilities;

- with the investigative support of the Control and Risk Management Committee, evaluates the organisational, administrative and accounting structure of the Company and its strategically important subsidiaries;
- with the preliminary investigation of the Control and Risk Management Committee, it evaluates the adequacy of the administrative and accounting organisational structure of the Company and strategically significant subsidiaries, with particular reference to subsidiaries that are significant for consolidation purposes according to the criteria in the Art. 165 of Legislative Decree no. 58/1998;
- assigns and revokes powers to the Managing Director, defining the limits and methods of exercise and determines, on the proposal of the Remuneration and Appointments Committee and having heard the Board of Statutory Auditors in accordance with Art. 2389 of the Civil Code, the remuneration of the Managing Director and of the other directors who hold special offices;
- using the information it receives from the Managing Director on at least a quarterly basis, it assesses the general performance of the Company's management, including a comparison between the results achieved and forecasts made;
- approves all transactions carried out by the Company in advance that have a material impact on the Company's income statement and balance sheet.

Specifically, a Board resolution has determined that the following types of transactions are considered to be of material impact, and as such, the Board of Directors has exclusive authority insofar as its examination and approval of:

- acquisition, conferral and sale of equity investments;
- acquisition, conferral and sale of companies or company divisions;
- acquisition, conferral and sale of real estate;
- definition of joint venture agreements;
- the issue of personal guarantees or collateral to third parties on the part of Arnoldo Mondadori Editore S.p.A., in its own interest or in that of its subsidiaries, for amounts over 20 million euro;
- investments in property, plants and equipment that are of great strategic importance to the Company, and in any case, investments of an amount exceeding 5 million euro for each single investment.

The Board of Directors examines and approves in advance all transactions that have a material impact on the economic performance, financial position and cash flow of the Company and its subsidiaries.

The transactions pertaining to subsidiaries that must be submitted for approval to the Board of Directors of Arnoldo Mondadori Editore S.p.A. are classified as material based on the subject matter and value of the transaction.

The following transactions pertaining to subsidiaries have been identified as material:

- acquisition, disposal and sale of equity investments;
- joint venture agreements;
- acquisition, disposal and sale of companies or corporate divisions;
- acquisition and sale of real estate;
- investments in property, plants and equipment that are of great significance to the Group;
- taking out loans, the issue of personal guarantees or collateral;

in the event that one or more of the following criteria are met:

- a) the transactions qualify as significantly influencing the share price in accordance with the provisions laid down in Italian Legislative Decree 58/1998, and as such they are subject to mandatory disclosure to the market;

b) the transactions have a material impact on the Company's economic performance, financial position, and cash flow.

Any transaction of the types listed above which is worth over 15 million euro in value or fees qualifies as having a material impact on the Company's income statement and balance sheet.

In 2018, the Board of Directors held seven meetings, which were regularly attended by the Board of Statutory Auditors. Each meeting lasted an average of two hours and 35 minutes. The Director of Legal and Corporate Affairs regularly attended all meetings. The Head of the *Internal Audit* Function, member of the Supervisory and Control Body also attended Board meetings to report on the activities carried out to ensure the suitability of the internal control and risk management system.

The Director of the Head Office of Human Resources and the General Manager for Periodicals Italy also participated in the board meeting on operations on the publications *Confidenze tra Amiche* and *TuStyle*.

Each director's attendance rate for these meetings is annexed to this Report as Table 1.

With regard to the preparation of the meetings of the Board of Directors to be held during the 2019 financial year, at the date of the preparation of this Report, 3 meetings of the Board of Directors were held, and the following additional meetings are planned, as per the calendar of corporate events communicated to the market<sup>1</sup>:

- 15 May 2019 (examination of the interim management report as of 31 March 2019);
- 30 July 2019 (examination of the half-year financial report at 30 June 2019);
- 13 November 2019 (examination of the interim management report as of 30 September 2019);

The Articles of Association do not indicate a minimum frequency for Board meetings.

On the initiative of the Managing Director or the request of the Directors, the Chairman may ask managers of the Company or the subsidiaries in charge of individual Group divisions, and consultants, as applicable, to report at meetings to bring specific issues to the Board's attention regarding business areas under the managers' responsibility, as well as to enhance Board members' knowledge of Company dynamics and offer them insight into the everyday situations that managers face.

The Managing Director also ensures that the managers responsible for the individual *business* divisions, who may be interested in relation to the items on the agenda, are still available to intervene at meetings if requested.

#### *Induction programme*

At its meetings over the course of 2018, the Board of Directors discussed the main issues relating to the operations of the Mondadori Group and the performance of the Company. These meetings, and the active participation in meetings organised by the Company or Independent Directors as part of the Induction Programme offered to new members of corporate bodies, in compliance with the Self-Governance Code, allowed participants (directors and statutory auditors) to have adequate knowledge of the business sector in which the Company operates, company dynamics and their evolution, the principles of proper risk management as well as reference to regulatory and self-governance framework.

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<sup>1</sup> From 29 November 2016, the Company is required to prepare and publish quarterly data as it belongs to the STAR Segment. If membership in this segment were to cease, quarterly reporting would be optional.

## **DELEGATED BODIES**

### **MANAGING DIRECTOR**

The Managing Director is vested with full operational management authority, except for issues falling under the exclusive authority of the Board of Directors, as described and listed in the previous section “Functions and activities of the Board of Directors”.

The Managing Director reports periodically to the Board of Directors and to the Board of Statutory Auditors at the relative meetings on at least a quarterly basis on the provisions of Art. 2381 of the Civil Code, as well as on the main activities carried out in the exercise of delegations, with particular reference to any atypical, unusual or related-party transactions whose approval is not reserved to the Board of Directors.

### **CHAIRMAN OF THE BOARD OF DIRECTORS**

In accordance with the Articles of Association, the Chairman of the Board of Directors legally represents the Company before third parties and in court. The Chairman does not hold individual management authority, and works alongside the Chief Executive Officer on the development of business strategies to be submitted to the Board of Directors for approval.

### *EXECUTIVE COMMITTEE*

It should be noted that no “Executive Committee” has been formed.

### **PRE-MEETING DISCLOSURE**

The Chairman of the Board of Directors calls and coordinates the Board meetings. In order to enable informed participation in the meetings, documentation relating to the items on the agenda is normally sent in advance to directors and statutory auditors through the secretary of the Board of Directors and the Legal and Corporate Affairs Department with a notice period of three days, except in cases of necessity and urgency.

During Board meetings, in-depth and exhaustive discussions on the topics on the agenda are ensured to allow a conscious decision to be made on the matters in question.

Generally, the documentation sent out is accompanied by a summary that covers the main points on the agenda, in line with the resolutions to be adopted.

### **NON-EXECUTIVE DIRECTORS**

Thanks to their authoritative knowledge and expertise, non-executive directors make an indisputably important contribution during the adoption of resolutions by the Board of Directors.

### **INDEPENDENT DIRECTORS**

With regard to the Board currently in office, at the first meeting of the Board on 24 April 2018 following its appointment, it was checked that the directors listed below satisfied independence requirements, based on the information provided by each person upon his or her nomination as a candidate and upon acceptance of appointment:

**Elena Biffi**

**Patrizia Michela Giangualano**

**Martina Forneron Mondadori**



**Angelo Renoldi**  
**Cristina Rossello**

The assessment of the independence requirements was made with particular reference - with the exception of what has been indicated below regarding the requirement relating to the term of office not exceeding nine years in the last 12 years - to all the criteria provided by the Code, which qualifies the directors who are independent they do not have or have recently had, even indirectly, relations with Arnoldo Mondadori Editore S.p.A. or subjects related to it, such relations as are currently affecting their autonomy of judgement, such as:

- a) to not control the Issuer, nor are they able to exercise significant influence over it, nor participate in a shareholders' agreement through which one or more parties may exercise control or significant influence over the Issuer and this either directly or indirectly, also through subsidiaries, trustees or third parties;
- b) are not, nor have they been in the previous three years, a key member\* of the Issuer, of a subsidiary of strategic importance or of a company subject to joint control with the Issuer, or of a company or entity which, jointly with others through a shareholders' agreement, controls the Issuer or is in able to exert considerable influence over it;
- c) do not have, nor have they had over the previous fiscal year, a significant business, financial or professional relationship, be it directly or indirectly (such as through subsidiaries or as a key member of a subsidiary, or as a partner in a professional service firm or consulting firm), with:
  - the Issuer, a subsidiary of the Issuer, or any related key members;
  - a person who controls the Issuer, including jointly through a shareholders' agreement, or any key members of a company or entity that might control the Issuer;nor are they or have been an employee of one of the above-mentioned entities over the previous three fiscal years;
- d) do not receive, nor have received over the previous three fiscal years, a significant amount of remuneration from the Issuer, a subsidiary or a parent company of the Issuer – including participation in performance-based and/or equity-based incentive plans – in addition to their “base” emolument as a non-executive director of the Issuer;
- e) have not been a director of the Issuer for more than nine out of the last 12 years;
- f) do not hold the position of executive director in any company in which an executive director of the Issuer holds the position of director;
- g) are not a partner or director of a company or entity belonging to the network of the company in charge of auditing the Issuer's financial accounts;
- h) are not an immediate family member of a person who finds themselves in the circumstances referred to above.

\* “Key member” of a company or entity refers to one of the following: the president of the entity, the legal representative, the chairman of the board of directors, executive directors and key management personnel of the company or entity concerned.

In its meeting of 24 April 2018, as it had in the previous year, the Board of Directors confirmed the independent status of directors Marco Spadacini and Martina Forneron Mondadori, despite their lacking one of the requirements laid down in the Code, namely a term in office that may not be more than nine years out of the last 12 years.

This confirmation is motivated by the recognition of the professional qualities and independence of judgement demonstrated in relation to the activity carried out within the Board as well as in consideration of the existence of the additional independence requirements provided for in the Code.

The independence of directors is periodically assessed by the Board, and the Board of Statutory Auditors verifies the correct application of the criteria adopted by the Board to assess the independence of the directors during the year.

The number and responsibilities of independent directors are adequate for the size of the Board and the activity carried out by the Company, and allow the establishment of internal Board Committees as described in the following paragraphs.

The following table lists the positions held by the current members of the Board of Directors of Arnoldo Mondadori Editore S.p.A. as director or statutory auditor in other listed companies as well as financial companies, banks, insurance companies, or in other large companies, and any other offices held in companies other than the aforementioned, including offices held within the Mondadori Group.

Board of Directors	Positions held by directors in other listed companies, as well as financial companies, banks, insurance companies, or large companies
Marina Berlusconi	Chairwoman of Fininvest S.p.A. Director of Mediaset S.p.A. Director of Mondadori France S.a.s.
Ernesto Mauri	Chairman of Mondadori France S.a.s. Chairman of Mondadori Libri S.p.A. Director of Mondadori Retail S.p.A. Deputy Chairman of Mediamond S.p.A.
Paolo Guglielmo Luigi Ainio	Chairman of ePrice S.p.A. Chairman of ePRICE Operations S.r.l. Sole director of Pups S.r.l. Chairman of Post S.r.l. Director of P19 S.r.l. Director of Installo S.r.l. Chairman of IM3D S.p.A. in liquidation
Pier Silvio Berlusconi	Deputy Chairman and Managing Director of Mediaset S.p.A. Chairman and Managing Director of R.T.I. S.p.A. Director of Publitalia '80 S.p.A. Director of Fininvest S.p.A.
Pasquale Cannatelli (in office until 24/04/2018)	
Francesco Currò (in office since 24/04/2018)	
Elena Biffi (in office since 24/04/2018)	Director of FinecoBank S.p.A.
Patrizia Giangualano (in office since 24/04/2018)	Member of the Supervisory Board of UBI Banca S.p.A.
Martina Forneron Mondadori	
Alfredo Messina (in office until 24/04/2018)	Director of Mediaset España Comunicación S.p.A. (appointment ended on 18/04/2018) Director of Molmed S.p.A.
Danilo Pellegrino	Chairman of Teatro Manzoni S.p.A. Chairman of ISIM S.p.A. Managing Director of Fininvest S.p.A. Director of Mediaset S.p.A. (in office since 27/06/2018) Chairman of Alba Servizi Aerotrasporti S.p.A. Director of Società Sportiva Monza 1912 S.p.A. (in office since 28/09/2018)

Roberto Poli	Director of FIMITA S.r.l. Director of Fininvest S.p.A. Director of Coesia S.p.A. Director of Praesidium SGR S.p.A. Director of the San Raffaele Hospital Chairman of the Board of Istituto Ortopedico Galeazzi S.p.A. Director of Compagnia Generale Trattori CGT S.p.A.
Oddone Maria Pozzi	Deputy Chairwoman of Mondadori France S.a.s. Director of Attica Publications SA Deputy Chairman of Mondadori International Business S.r.l. Director of Mondadori Libri S.p.A. Director of Giulio Einaudi editore S.p.A. Director of Mondadori Electa S.p.A. Director of Mondadori Education S.p.A. Director of Mediamond S.p.A. Director of Mondadori Retail S.p.A. Director of Mondadori Scienza S.p.A. Director of Direct Channel S.p.A. (formerly Press-di Abbonamenti S.p.A.) Director of Rizzoli Education S.p.A. (formerly Rizzoli Libri S.p.A.) Director of Rizzoli International Publications Inc. and Rizzoli Bookstores Inc.
Angelo Renoldi	Chairman of Mediolanum Assicurazioni S.p.A. Chairman of Mediolanum Vita S.p.A.
Mario Resca	Chairman of Mondadori Retail S.p.A. Chairman of Confimprese Chairman of Confimprese Servizi S.r.l. Private Equity Fund Advisor at Ergon Capital Investment Director of Vionnaire Director of Sausalitos Holding GmbH Director of Fabbrica Servizi Veneranda Fabbrica del Duomo S.r.l. Director of IPE S.p.A. Chairman of CBI S.p.A.
Cristina Rossello	Director of Spafid S.p.A. Director of Spafid Family Office SIM S.p.A. Director of Branca International S.p.A. Director of Branca Real Estate S.r.l. Director of Fratelli Branca Distillerie S.r.l. Chairwoman of Centro Studi Fratelli Branca S.r.l.
Marco Spadacini (in office until 24/04/2018)	Chairman of the Board of Auditors of Apple Italia S.r.l. Chairman of the Board of Auditors of Apple S.p.A. Chairman of the Board of Statutory Auditors of Cooperativa Palomar 3 a.r.l. Chairman of the Board of Auditors of Almaviva S.p.A. Chairman of the Board of Auditors of Valtur S.p.A. Chairman of the Board of Auditors of Valtur Group S.p.A. Chairman of the Board of Auditors of Orogroup S.p.A. Statutory Auditor of Centurion Immobiliare S.p.A. Statutory Auditor of S.A.C.B.O. S.p.A. Statutory Auditor of Termomeccanica Ecologica S.p.A. Statutory Auditor of Sea Energia S.p.A. Statutory Auditor of Bonifiche Ferraresi S.p.A. Director of Compagnia Fiduciaria Nazionale S.p.A.

There is no specific orientation regarding the maximum number of offices as director or statutory auditor that can be held by members of the Board of Directors in companies falling under the above types, since this assessment is delegated to the individual director when accepting the office.

The provisions of the code recommend that directors accept an appointment only when they deem they can devote the necessary time to the diligent performance of their duties, taking into account, among other things, their own professional and business-related commitments, the number of positions they hold on the boards of directors or statutory auditors in other listed companies, and similar positions in financial companies, banks, insurance companies and other large companies.

### **LEAD INDEPENDENT DIRECTOR**

In line with the recommendations of the Corporate Governance Code, the Instructions and the Stock Exchange Regulations, the Board of Directors meeting of 24 April 2018 confirmed the role of the Lead Independent Director, who constitutes the point of reference and coordination of the requests and contributions of independent directors and non-executive directors.

With the unanimous nomination by directors, independent director and attorney Cristina Rossello was confirmed as the Lead Independent Director with a term in office until the expiry of the Board mandate.

The Lead Independent Director:

- shall collaborate 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;
- where necessary, she will use the corporate structures for the discharge of the duties assigned to her and collaborate with the Secretary of the Board of Directors;
- she will call, independently or upon the request of other board members, meetings to be attended by independent directors only on issues regarding the operation of the Board of Directors or the corporate governance system.
- is the liaison and coordinator for petitions and contributions from non-executive directors and independent directors for the Board of Directors.

With reference to activities carried out in 2018, the Independent Directors Committee examined:

- the update on compliance activities, regarding the adaptation of new regulations by the Company;
- in the preliminary investigation, some issues subsequently analysed by the Board of Directors.

### **SELF-ASSESSMENT OF THE BOARD OF DIRECTORS**

For the 2018 financial year, the Board of Directors has implemented the self-assessment process of the Board of Directors and Committees appointed within the Board of Directors, making use of (in continuance with 2017) the support of the company Egon Zehnder International S.p.A. (company specialised in the sector, which does not have additional professional or commercial relationships with the Company).

The self-assessment was renewed annually in accordance with the recommendations of the Self-Governance Code, focusing on the effectiveness of the current functioning of the Board of Directors and its Committees for this first year.

The self-assessment process involved (i) a questionnaire addressed to all members of the Board of Directors, and (ii) individual interviews, with the Board of Statutory Auditors involved in the process.

The outcomes of the self-assessment process are reported in brief below.

The self-assessment was carried out in a disciplined manner, with the active participation of all of the Directors involved: questionnaires were collected and confidential interviews were conducted.

First impressions are positive with respect to all the main dimensions considered, in continuity with the previous self-assessment, without any critical or problematic elements to be brought to the attention of the Board.

In short, general appreciation was shown, from both a qualitative and quantitative view, of the experience and skills of the Board, as well as of how the Board works, (mix of the experiences, skills and representation of diversity widely understood) and the functional logic of the body itself in terms of efficiency and effectiveness in the decision-making process, and positivity of internal dynamics.

## **5. MANAGEMENT OF COMPANY INFORMATION**

### **MANAGEMENT AND DISCLOSURE OF INSIDER INFORMATION TO THE MARKET**

On 28 July 2016, following the entry into force of the new Market Abuse Regulation, introduced by Regulation (EU) No. 596/2014, the Board of Directors introduced a new “Insider Information Procedure” (the “Procedure”), for inside information as defined by Article 7 of Regulation (EU) No. 596/2014, which replaced the procedure in place since 1 April 2006. The Procedure places the responsibility for handling inside information with the Managing Director, who may avail itself, as applicable, of the services of the Central Finance, Administration and Control Department (Corporate and Legal Affairs Department and the Investor Relations function), the Communications and Media Relations Department and any other functions involved in relation to the content and type of information.

The Procedure aims to:

- regulate the ways in which corporate documents and information concerning Arnoldo Mondadori Editore S.p.A. are monitored, managed and circulated within the Company, especially with regard to inside information as per Article 7 of Regulation (EU) No. 596/2014;
- regulate the ways in which inside information is disclosed to the market and the public, in accordance with applicable laws and regulations pertaining to insider information;
- regulate and maintain the Register of persons with access to insider information.

The procedure is published on the website [www.mondadori.it](http://www.mondadori.it) – Governance section.

### **INTERNAL DEALING**

As part of the procedures for the management and communication of documents and information concerning the Company, the procedure for Internal Dealing adopted by the Board of Directors on 28 July 2016 and its subsequent amendment of 8 February 2018, also applies following the entry into force of the new legislation on the Market Abuse Regulation introduced by Regulation (EU) no. 596/2014.

This procedure concerns disclosure obligations to Consob, the Company, and the public regarding transactions involving financial instruments issued by the Company, derivative instruments and the connected financial instruments carried out by members of the Board of Directors, the Board of Statutory Auditors, or other managers identified as relevant persons who have regular access to inside information, or who have the power to make decisions that could influence the future growth and outlook of the Company.

The Internal Dealing Procedure: *(i)* identifies the individuals who are responsible for making internal dealing disclosures; *(ii)* provides to the individuals identified with information regarding their identification, connected obligations and terms and conditions for the required disclosure obligations; *(iii)* identifies the company department (the Legal and Corporate Affairs Department) in charge of receiving, managing and disclosing to the market the information above, and also filing the communications which are received and made pursuant to these disclosure obligations and the establishment and updating of the Insider List.

## **BLACKOUT PERIODS**

As part of the Internal Dealing Procedure, prohibitions on the performance by key parties as regards transactions on the financial instruments subject to disclosure in the 30 days prior to the boards of directors for the examination of balance sheet data, half-yearly data and quarterly data<sup>2</sup> until the data is released to the market. The Board of Directors reserves the right to allow the individuals identified as relevant persons through this procedure to carry out all or some of the Significant Transactions even during a blackout period, provided the circumstances and terms and conditions applicable to derogation from the procedures are satisfied.

## **6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS**

### **INTRODUCTION**

To facilitate the operation of the Board of Directors, the Remuneration and Appointments Committee and Control and Risk Management Committee were established, as recommended by the Self-Governance Code. In addition is the Related Parties Committee, established in compliance with the requirements of the Consob Regulation governing Transactions with Related Parties. With reference to the Remuneration and Appointments Committee, in 2012, the Board of Directors, while also taking the organisational requirements of the Company into account, has grouped the attributions on appointments and remunerations in a single Committee (the Remuneration and Appointments Committee).

There are no committees with less than three members, and the work of each committee is coordinated by a Chairperson.

The duties and functions of each committee are established by a resolution of the Board of Directors. Minutes of committee meetings are kept by the secretary. In pursuing its activities, the committee has access to all the corporate information and functions necessary to carry out its duties.

Despite the Board not having approved a specific budget for each Committee, Committees may have the financial resources necessary to perform their duties.

### **REMUNERATION AND APPOINTMENTS COMMITTEE**

The Related Parties Committee is comprised of three non-executive and independent directors, namely:

<b>Angelo Renoldi</b>	- Chairman, independent and non-executive director
<b>Elena Biffi</b>	- independent and non-executive director
<b>Cristina Rossello</b>	- independent and non-executive director

The members of the Remuneration and Appointments Committee have been appointed by resolution of the Board of Directors on 24 April 2018, with a term of office until the expiry of the mandate of directors and therefore until the approval of the financial statements at 31 December 2020, or unless otherwise resolved upon. They have proven professional skills in the sector of reference, adequate knowledge and experience in financial and remuneration policy issues.

The Committee held four meetings in 2018, each duly recorded in their respective minutes. Each meeting was also attended by the Chairman of the Board of Statutory Auditors, at the request of the Committee itself, with average duration of one hour and 40 minutes.

The attendance rate at the meetings for each member of the Committee is indicated in Table 1 of the annexes.

The meetings discussed the following issues:

- The medium / long-term incentive plan (three-year period of 2018-2020);
- Approval of the Report on the Remuneration Policy for the 2018 financial year;

- The proposal of the Board of Directors on the remuneration of directors vested with special offices, for members of Board of Directors committees and Supervisory Board;
- The launch of the Rolling Performance Shares Plan 2018-2020;
- The update of the Personnel Manager on the actual application of the 2018 Remuneration Policy in the first half of 2018;
- Considerations on the voting trends of funds and proxies at the Shareholders' Meeting of 24 April 2018;
- The update on the Remuneration Policy for the 2018 financial year regarding its concrete application in the second half of the year;
- The report on the market remuneration benchmark for Key Managers.

On 24 April 2018, the Board of Directors tasked the Remuneration and Appointments Committee with the following functions and duties, confirming that already tasked in the previous mandate:

- the capacity to provide counsel and make recommendations to the Board of Directors in matters regarding remuneration policies for Directors and Key Management Personnel (covered by the Remuneration Report, pursuant to Article 123-ter of Italian Legislative Decree 58/1998); the responsibility to carry out periodic checks – in conjunction with the Director of Central Group Human Resources and Organisation– to ensure that the Remuneration Policy is being implemented in compliance with its principles, and then reporting their findings to the Board of Directors;
- to make recommendations to the Board of Directors regarding the remuneration of Directors holding special positions (e.g. Chairman, Managing Director, Executive Directors and Directors on committees);
- the task of making presentations to the Board of Directors regarding the Committee's work on identifying and laying down corporate guidelines aimed at retaining and motivating management personnel;
- the capacity to make recommendations on the implementation of Shareholder-approved incentive plans featuring the granting of financial instruments in accordance with Article 114-bis of Legislative Decree 58/1998;
- the task of expressing opinions to the Board of Directors on “the size and composition of the Board and who would be the most appropriate to include as Board members”, in addition to any limitations on the number of other positions a Board member may assume;
- the task of proposing new candidates for the position of director on the Board of Directors, in the event of an appointment by co-optation to replace an independent director.

The Remuneration and Appointments Committee has access to all the corporate information and functions necessary to carry out its duties.

The Committee's operating procedures state that Committee members shall meet and act collectively any time the Chairman deems it necessary, or at the request of one or both of the other members, and in any case with the frequency that is required for carrying out its functions.

Committee resolutions are made by a simple majority and are contained in a report signed by all of the members participating in the meeting and by the Chairman of the Board of Statutory Auditors, who attends the meetings without voting rights.

As is recommended by the Code, in relation to the proposed functions assigned to it by the Board of Directors, the Committee deliberates in the absence of those directly involved.

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

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<sup>2</sup> Arnoldo Mondadori Editore S.p.A. is required to prepare and publish quarterly data, as it belongs to the STAR Segment from 29 November 2016. If membership in this segment were to cease, quarterly reporting would be optional.

## **REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**

The Board of Directors, at the recommendation and proposal of the Remuneration and Appointments Committee, has examined and approved guidelines for a general remuneration policy for Directors and Key Management Personnel.

### Remuneration Policy Guidelines

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

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

In accordance with the general purposes stated, remuneration policy envisages components of remuneration based on and consistent with the following criteria:

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

There are no agreements in place between the Company and its directors which call for severance pay in the event of resignation or dismissal without just cause, or in the event of termination of employment as a result of a public takeover bid.

In keeping with the Company's remuneration policy for executive directors and key management personnel, any severance pay is determined solely in accordance with applicable legal provisions or with the relative collective bargaining agreements of reference, pursuant to Article 123-ter of Legislative Decree 58/1998.

### Implementation method of the Remuneration Policy

In compliance with the principles and guidelines as defined above by the Board of Directors, the implementation of the Remuneration Policy, is delegated to the Board of Directors, in relation to the remuneration of executive directors and other directors vested with particular offices, and to the Managing Director, who relies on the head Office of Human Resources and Group Organisation for the remuneration of Key Managers.

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

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

### Equity incentive plans

In relation to the Compensation Plans based on the allocation of financial instruments, to be submitted to the approval of the Shareholders' Meeting pursuant to Art. 114-bis of Legislative Decree no. 58/1998 and subject to specific disclosure to the market in compliance with the applicable provisions on the subject, the detailed



elements and application methods are defined by the Board of Directors with the advisory and recommendation of the Remuneration and Appointments Committee, also in line with the risk profile of the Company, and with reference to the general principles of:

(i) consolidation of the process of creating sustainable value for the Company and the Group in the medium-long term and incentive and retention of management through the definition of the terms of duration and multi/year vesting; (ii) assignment or exercisability of financial instruments subject to the achievement of predefined and measurable company and/or market performance objectives; (iii) restrictions on the permanence of beneficiaries in the company.

With reference to the compensation plans based on the allocation of financial instruments, the Shareholders' Meeting of 24 April 2018, on the proposal of the Board of Directors on 13 March 2018, approved a Rolling Performance Shares Plan for the 2018-2020 three-year period called the "2018-2020 Plan", reserved for the Managing Director, Key Managers (including the CFO-executive director) and certain managers of the company.

Please refer to the description provided in the information document published pursuant to Article 84-bis of the Issuers' Regulation, available on the website [www.mondadori.it](http://www.mondadori.it) – Governance section.

The Shareholders' Meeting called for 17 April 2019 will be asked to adopt a resolution approving the first cycle of the 2019–2021 Performance Share Plan (the "Plan"), reserved to the Managing Director, the CFO–executive director, and certain Company managers.

For a description of the Plan, see the information document published pursuant to Article 84-bis of the Issuers' Regulation, available on the website [www.mondadori.it](http://www.mondadori.it) – Governance section.

#### Referral to the Remuneration Report

The guidelines relating to the Remuneration Policy indicated above have been developed and implemented in the Remuneration Report, as provided for by Art. 123-*ter* of Legislative Decree no. 58/1998, approved by the Board of Directors, upon proposal of the Remuneration and Appointments Committee, available at the registered office and on the company website [www.mondadori.it](http://www.mondadori.it) - *Governance* section.

Please refer to the Remuneration Report for:

(i) detailed information relating to the principles and purposes inherent in the Policy adopted by the Company with regard to the remuneration of directors and Key Managers and the procedures for the adoption and implementation of this Policy (section I); (ii) the analytical description, also in the form of tables, of the remuneration components referable to directors and Key Managers for the reference year (section II).

The first section of the Report is presented for deliberation, in favour or against and non-binding, of the ordinary Shareholders' Meeting called for 17 April 2019 (in second call on 18 April 2019) for the approval of the financial statements at 31 December 2018.

#### **RELATED PARTIES COMMITTEE**

The Related Parties Committee is comprised of three non-executive and independent directors.

**Angelo Renoldi** – Chairman, independent and non-executive director

**Elena Biffi** – independent and non-executive director

**Cristina Rossello** – independent non-executive director

The members of the Related Parties Committee were appointed by resolution of the Board of Directors on 24 April 2018, and will remain in office until the end of their mandate, until the Shareholders' Meeting called to approve the financial statements as at 31 December 2020, unless there is a resolution to the contrary.

Detailed information on Related Party Transactions relating to the 2018 financial year is provided in the Report on Operations and explanatory notes to the separate and consolidated financial statements within the Annual Financial Report at 31 December 2018 available on the website [www.mondadori.it](http://www.mondadori.it) - Governance section.

In 2018, no meetings were held by the Related Parties Committee.

## 7. CONTROL AND RISK MANAGEMENT COMMITTEE

The Board of Directors has set up a Control and Risk Management Committee, composed of three directors who the Board deems to possess the necessary accounting, financial and management experience to perform this duty.

The members of the Control and Risk Management Committee are:

**Cristina Rossello** – Chairwoman, independent non-executive director

**Angelo Renoldi** – independent and non-executive director

**Patrizia Michela Giangualiano** - independent and non-executive director

The members of the Control and Risk Management Committee were appointed by the Board of Directors on 24 April 2018 with a term in office until the expiry of the Board's mandate or resolution otherwise.

The Control and Risk Committee performs advisory and propositional functions towards the Board of Directors with the task of supporting, through adequate preliminary activity, the assessments and decisions of the Board of Directors relating to the adequacy of the internal control and management system of risks, of defining the guidelines of the same, as well as those relating to the approval of periodic financial reports.

As far as their respective competences are concerned, The Committee coordinates its activities with those of the Board of Statutory Auditors, the independent auditors, the Internal Audit Manager, the Director in charge of the internal control and risk management system and of the Manager in charge of preparing the report of accounting and corporate documents.

In compliance with the Self-Governance Code, the Control and Risk Management Committee has been tasked the following duties:

- (i) to assess the action plan drawn up by the Head of Internal Audit, and examine the periodic reports that the latter prepares on the assessment of the system of internal control and risk management, as well as any other reports of particular relevance that are prepared by the Internal Audit function;
- (ii) together with the manager in charge of preparing the corporate accounting documents, after hearing the legal auditor and the Board of Statutory Auditors, evaluates the correct use of the accounting principles used and their homogeneity for the purposes of preparing the consolidated financial statements;
- (iii) to monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- (iv) to request the Internal Audit function to carry out checks on specific operational areas, and inform the Chairman of the Board of Statutory Auditors of such requests at the time they are made;
- (v) to periodically report to the Board of Directors on the adequacy of the system of internal control and risk management in conjunction with the Annual Financial Report and the Half-Year Financial Report, on at least every six months;

- (vi) to provide counsel on specific aspects regarding the identification of the Group's main risks, as well as on the designing, implementation and supervision of the system of internal control and risk management, should it be so requested by the Director of the system of internal control and risk management;
- (vii) to provide counsel to the Board of Directors on the findings of the external auditors, presented in the letter of recommendation and in the audit report on the key issues that emerged during the audit;
- (viii) provide the Board of Directors with an opinion on the appointment and revocation of the Internal Audit Manager, as well as the resources assigned to him/her and his/her relative remuneration;
- (ix) with adequate preliminary work, supports the assessments and decisions of the Board of Directors on the management of risks deriving from prejudicial facts of which the Board of Directors has become aware and performs the additional tasks assigned by it.
- (x) to assist the Board of Directors in assessments and decisions relating to sustainability issues, with particular reference to the approval of the Non-Financial Statement;
- (xi) the definition of the guidelines of the internal control and risk management system, so that the main risks relating to the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining the degree of compatibility of these risks with company management as consistent with the strategic objectives identified;
- (xii) have the right to access the information and company functions necessary for the performance of their duties.

During 2018 the Control and Risk Committee held 14 meetings coordinated by the Chairman of the Committee, lasting an average of two hours, for which minutes were regularly taken, with the participation of members of the Board of Statutory Auditors, of the Internal Audit Manager, the Supervisory and Control Body and the Director of Legal and Corporate Affairs, also meeting with the auditing firm Deloitte & Touche S.p.A. and the Managers of certain corporate functions.

The attendance rate at the meetings for each member of the Committee is indicated in Table 1, annexed to this Report.

During 2018, the Control and Risk Management Committee met nine times and the average duration of each meeting was two hours.

- approved the 2018 annual internal audit programme for the Company and its Subsidiaries prepared by the Internal Audit Manager, and verified its implementation.

The 2018 Audit plan provides for the following interventions for the Parent Company and its subsidiaries, which fall under the following:

- (i) Operational audit: an analysis of business processes and an assessment of their effectiveness (success rate in reaching objectives) and efficiency (costs, timing, resources employed);
- (ii) Compliance audit: the application of some operational guidelines on the part of the Parent Company and companies in the Group;
- (iii) 231 Compliance Audit: the application of Legislative Decree 231/2001, in support of Supervisory Bodies of the Parent Company and its subsidiaries;
- (iv) Financial Audit: the application of Italian Law 262/05, in support of the Financial Reporting Officer;
- (v) Fraud;
- (vi) *IT*;

- it examined the activities carried out by the Internal Audit department in 2018, agreeing with the recommendations made and proposing recommendations of its own; within this context, follow-ups to Internal Audit inspections were reviewed;
- it examined the activities and structure of the Internal Control Department, not only insofar as the internal audit as per the point above, but also to support the Supervisory Bodies of the Parent Company and the subsidiaries, risk management activities and operating processes;
- it acknowledged the operational guidelines implemented by the Company during the year;
- examined the preliminary analysis illustrated by corporate management, and approved the impairment test methodology as regards the financial statements as at 31 December 2017 adopted by the company, noting that the definitive findings and assessments on the potential reduction in the value of tangible, intangible assets and equity investments would be subject to specific examination and approval by the Board of Directors;
- examined the risk reporting at 31 December 2017 and the annual report of the Financial Risks Committee, without detecting anomalous issues;
- it reviewed the 2017 annual report and the report for July 2018 prepared by the Control and Risk Committee, which did not contain any irregularities;
- it analysed the results of the year's Risk Assessment process, prepared and presented by the Head of Internal Audit. The activity focused on both the Parent Company and its associate companies in Italy and France;
- it acknowledged the report prepared by the Head of Internal Audit on the self-assessment of the Internal Control and Risk Management system of the Mondadori Group;
- it analysed the findings of the independent auditor as presented in the report on the key issues that emerged during the audit; no defects were observed in the internal control system in terms of financial disclosure, and there were no uncertainties worthy of note regarding business continuity;
- assessed the principles, methodologies and reporting methods of the Non-Financial Statement, Legislative Decree 254/16;
- it approved the Internal Audit Manual;
- it has held meetings with company management, examining issues relating to the businesses in question;
- it approved the updating of the operating provisions in force within the Mondadori Group.

In addition to the meetings held in the first quarter of 2019, as described below, another three meetings are scheduled.

It should be noted that the Control and Risk Management Committee has held three meetings during the current year; a summary of those meetings follows:

- during the 28 January meeting, the Committee examined:
  - (i) the impairment testing methodology for the financial statements as at 31 December 2018 adopted by the Company, approving the measurement methods;
  - (ii) the work of Internal Audit in December 2018, agreeing with the recommendations made and proposing its own;
  - (iii) planned meetings and activities for 2019;
  - (iv) has examined the information prepared by the Board of Statutory Auditors of the Parent Company as regards the selection process of the statutory auditor of the accounts of the Issuer and its subsidiaries.

- At its 14 February meeting, the Committee:
  - (i) after consulting the Board of Statutory Auditors, gave a favourable opinion on the 2019 *Risk Based* annual plan of the Internal Audit for the Company and its subsidiaries, prepared by the Internal Audit Manager.
 

The 2019 Plan calls for the following audits to be carried out in six different categories:

    - a) Operational audits,
    - b) Compliance audits,
    - c) 231 compliance audits,
    - d) Financial audits,
    - e) Fraud,
    - f) *IT*.
- At its 4 March meeting, the Committee:
  - (i) met the Director of Communication and Media Relations on the issue, and the process of the 2018 Non-Financial Statement.
- At its 14 March meeting, the Committee:
  - (i) examined the outcomes of the Risk Assessment activity and the Risk Disclosure 2018-2019 document; the activity concerned the updating of the results relating to both the Parent Company and Subsidiaries;
  - (ii) having consulted with the Board of Statutory Auditors, approved the report prepared by the Head of Internal Audit Paolo De Benedetti on the self-assessment of the Internal Control and Risk Management system of the Mondadori Group for 2018;
  - (iii) examined the Control and Risk Management Committee's Report for 2018 on the work it carried out;
  - (iv) examined the impairment test methodology on assets recorded in the draft financial statements as at 31/12/2018, also meeting with the independent auditing firm Deloitte & Touche S.p.A.;
  - (v) analysed the Financial Policy related to Risk Reporting as at 31/12/2018 and the report of the Control and Risk Management Committee.

All activities carried out by the Committee were duly and regularly reported to the Board of Directors.

## **8. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

### **MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

#### **INTRODUCTION**

The system of internal control and risk management is the set of rules, procedures and organisational structures established to enable the identification, measurement, management and monitoring of the main risks that the Group faces.

This system forms an integral part of the overall organisational structure and corporate governance system that the Issuer has adopted, and takes the reference frameworks and best practices at both the national and international levels into account.

Among the major themes that are addressed by such a system, special focus is placed on risk management: indeed, this is the one guiding principle that all Issuers' internal control systems have in common. In this context, the Board of Directors takes on a fundamental role, as evidenced also by its specific duty to "determine a risk appetite that is consistent with the issuer's strategic objectives, including within its own assessments the risks

that can become significant in terms of long-medium term sustainability". In line with the risk profile determined, the Board is also responsible for defining "guidelines of the internal control and risk management system, so that the main risks relating to the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining the degree of compatibility of these risks with company management as consistent with the strategic objectives identified" and at least annually assessing the adequacy of the system of internal control and risk management as it relates to the Company's characteristics and risk profile, while also assessing its effectiveness". The Control and Risk Management Committee duly carries out its investigative activities in order to assist the Board in its performance of the above-mentioned duties.

In 2008, the Mondadori Group implemented a Risk Management process by adopting a Model for the identification, assessment and management of the risks it is exposed to in the various areas it works in. At the same time, it drew up the first draft of Guidelines for the internal control system.

### ***Guidelines for the system of internal control and risk management***

With the favourable opinion of the Control and Risk Management Committee, the Board of Directors, approved the guidelines and guidelines for the internal control and risk management system, updating it for the purpose of implementing the recommendations of the Self-Governance Code, so that the main risks relating to the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining the compatibility of these risks with company management as consistent with the strategic objectives identified;

#### ***a) Reference model***

In accordance with the explicit recommendation of the Code to "take reference frameworks and best practices at both the national and international levels into account into account", the reference methodology is based on the principles provided for by the "CoSO Report" , one of the most authoritative standards used internationally, and with regard to risk identification and management, on the principles defined in the "CoSO - Enterprise Risk Management" (CoSO ERM).

The CoSO ERM – Integrated Model ensures:

- that management has implemented satisfactory objective-setting processes, and that the objectives established are aligned with and support the company's mission;
- the compatibility of risks with the achievement of strategic objectives (Risk Appetite).

In keeping with the methodology adopted and the recommendations of the Code of Conduct, the Mondadori Group meets with management on a yearly basis to establish and share its mission/vision and strategic objectives, the latter of which are divided into quantitative and qualitative targets.

These strategic objectives are then adapted to the single business areas and corporate functions.

The Board of Directors establishes the Group's risk appetite in correspondence to its strategic objectives, as described above.

#### ***b) Areas of analysis***

The system of internal control and risk management was developed by identifying and managing three areas of analysis:

- objectives,
- components,
- scope,

as explained below.

### **1. Objectives of the internal control and risk management system**

The process of managing the internal control and risk management system provides reasonable assurance as to the monitoring of the risks associated with the pursuit of the company's strategic objectives and related operational objectives, namely:

- effective and efficient business operations, including the safeguarding of company resources (operations objectives);
- reliability of financial and non-financial reporting (reporting objectives);
- compliance with applicable laws and regulations (compliance objectives).

As such, a risk management system helps define and protect the following measures:

- identification of risks that threaten the achievement of objectives;
- identification and assessment of risks that can become significant in terms of the issuer's long-medium term sustainability;
- assessment of those risks in terms of impact / likelihood;
- evaluation of risk responses currently in place;
- assessment of risk response effectiveness as relates to the risks identified.

In addition, the system of internal control and risk management that is put in place to fulfil the three categories of objectives listed above must achieve the following:

- respond in a timely fashion to significant risk situations, while making sure that the proper control activities are in place;
- in the context of business processes, ensure that there is the proper degree of separation between operational functions and control activities, so that conflicts of interest may be avoided in the tasks assigned;
- in the context of operational, administrative and accounting activities, make use of systems and procedures that ensure the accurate recording of facts and events that occur in a company setting and/or during its management, while making sure that information flows within and outside the Group in a reliable and timely manner;
- allow the proper levels of the Group to be promptly informed of significant risks and irregularities in control activities that may emerge, thereby enabling the identification and timely execution of corrective measures.

### **2. Components of the internal control and risk management system**

There are a series of components to the control and risk management system that, when taken into account, ensure an appropriate overview of the company's situation.

Management of the elements that comprise the internal control and risk management system must be defined through a Risk Management Process in order to make the control system dynamic.

This process consists of the following key steps:

- setting strategic and operational objectives,
- identifying the events that might pose a risk to achieving these objectives,
- establishing the roles and responsibilities of management (risk ownership),
- establishing the level and form of communication,
- monitoring the process through ongoing management and assurance activities.

### **3. Definition of the scope (or field of application)**

The definition of the internal control and risk management system affects the entire Group, and takes the various *Business Areas* of the Group into consideration in an integrated manner.

#### **c) Periodic communications**

In order to comply with the information needs functional to the management of the system, all of the updating and reporting documentary flows between the subjects and bodies involved in the management of the control and risk management system are implemented: the Board of Directors, Control and Risk Committee, director in charge of the internal control and risk management system, Internal Audit.

#### **Determination of the degree of compatibility of risks with respect to the achievement of strategic objectives**

As explained above, based on the methodology adopted, the Mondadori Group meets with management on a yearly basis to establish and share its mission/vision and strategic objectives, the latter of which are divided in terms of quantitative and qualitative.

For the period, the following objectives have been set:

##### *Vision*

- focus on publishing businesses
- enhance the value of the content offered
- rationalisation and efficiency

##### Quantitative objectives

- protection of profit margins
- financial stability

##### Qualitative objectives

- innovation
- digital development
- brand protection
- synergy between business areas
- internationalisation

The Board of Directors has determined the degree of compatibility of risks with respect to the achievement of the strategic objectives identified (Risk Appetite) in compliance with that defined as part of the Risk Management process, starting from 2008 and updated on an annual basis. As a result of this process, risk thresholds were determined that made it possible to identify three risk levels (High, Medium and Low) in order to analyse the degree of compatibility between the expected value of the risks and the achievement of the identified objectives. With that in mind, the Board of Directors has determined a risk appetite that can be defined as cautious on average, particularly as regards the achievement of the following objectives: defending the Group's reputation, compliance with applicable laws and regulations, and adequacy of financial disclosure.

What follows is the composition, functioning and activities of the persons involved in the system of internal control and risk management:



## **RISK MANAGEMENT**

The *Risk Management* function, in the structure of the Internal Control Department, oversees the risk management process, while supervising the activities and coordinating the parties involved.

Identified risks are classified within an internal model, and then subsequently assessed on both an inherent level – that is, the degree of risk that would exist if no controls or mitigating factors were put in place by management – and a residual level – that is, the risk that would remain after taking mitigating controls into account.

The valuation is based on two parameters: the likelihood of an event's occurrence and its potential impact, the latter being measured in terms of economic and financial repercussions, market share, competitive advantage and the Group's reputation.

Each risk factor is associated with the strategic objectives of the Group as established by the Managing Director, and the objectives of the specific Business Areas and Corporate Functions, as established by the relevant management personnel.

The identification and assessment of inherent and residual risks is carried out by the heads of business units or functions as relative to their areas of competence through a self-assessment process, reporting any mitigation actions.

The Department of Risk Management gathers and analyses this information, and presents the risk outlook for each business area or corporate function to the relevant management personnel for validation.

The next step is to consolidate risks, which is done by grouping the various risk factors into similar categories and then assigning each one a weight that is commensurate with the relevance that each business area or corporate function represents for the Group.

The results of the Risk Management Process are subject to a specific reporting protocol: the first to be informed is the Director in charge of the system of internal control and risk management, the Control and Risk Management Committee, and the Board of Statutory Auditors, the latter being informed by the Head of Internal Audit; the Director in charge of the system will then inform the Board of Directors. This information is used to carry out more in-depth analysis of the situation on the part of the relevant bodies and systems in place.

It is then the duty of Internal Audit to verify the actual existence and effectiveness of the mitigating controls put in place, as reported by the various business areas during the assessment phase.

The Risk Management Process is updated through an annual review of risk status, which is carried out in accordance with the procedures described above.

With reference to the activities carried out during the 2018 financial year, the updating and monitoring of the *Risk Assessment system* took for the Parent Company and subsidiary and associated companies.

The main risks and uncertainties that regard the Parent Company, its subsidiaries and its associate companies are included in a specific chapter of the Report on Operations for 2018.

## **DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

On 24 April 2018 and in compliance with the provisions of the Self-Governance Code of Borsa Italiana, the Board of Directors attributed the Managing Director Ernesto Riccardo Mauri the role of "Director in charge of the internal control and risk management system" through the exercise of the following functions:

- (i) enforcement of the guidelines laid down by the Board of Directors and see to the designing, implementation and supervision of the system of internal control and risk management, while at the same time constantly verifying its adequacy and effectiveness;

- (ii) ensuring the identification of the main risks for the Company, while taking into account the characteristics of the business areas in which Arnoldo Mondadori Editore S.p.A. and its subsidiaries operate; submit said risks to the Board of Directors for periodic review;
- (iii) requesting the Internal Audit function to carry out checks on specific operational areas, as well as checks on compliance with internal rules and procedures in the performance of business operations; informing the respective Chairman of the Board of Directors, the Control and Risk Management Committee and the Board of Statutory Auditors of such requests at the time they are made;
- (iv) promptly reporting the Control and Risk Management Committee (or to the Board of Directors) as regards problems or critical situations that may have emerged in the performance of his duties, or that were otherwise brought to his knowledge, so that the Committee (or the Board) may take the necessary measures.

In the implementation of the guidelines established by the Board of Directors, the Director in charge of the system of internal control and risk management has planned and coordinated the Risk Assessment process as described in this report, specifically in the section entitled "Description of the Internal Control and Risk Management System".

#### **HEAD OF THE INTERNAL AUDIT FUNCTION**

The Head of the Internal Audit function has the responsibility of establishing and managing the Internal Auditing activity of the Company and its subsidiaries as well as verifying compliance of the corporate activity with regulations in force, corporate directives and procedures adopted in order to guarantee normal and efficient management, and to identify, prevent and manage business risks and fraud against the Company, to the extent possible.

In keeping with the Self-Governance Code of Borsa, the Board of Directors has established the following functions:

- (i) verify the effectiveness and adequacy of the system of internal control and risk management – on an ongoing basis and as required by international standards – through an audit plan, which is to be approved by the Board of Directors, and which is to be based on a well-defined process of risk analysis and prioritisation;
- (ii) have direct access to all the information needed to perform his/her duties;
- (iii) prepare regular and sufficiently detailed reports on the work being carried out in performance of the function, the ways in which risk management is being conducted, and on compliance with the plans that have been implemented to control risks. These periodic reports shall include an assessment on the adequacy of the system of internal control and risk management;
- (iv) promptly prepare reports on any events of particular importance;
- (v) send the reports described in the previous two points to the respective Chairmen of the Board of Statutory Auditors, the Control and Risk Management Committee and the Board of Directors, as well as to the Director in charge of the system of internal control and risk management;
- (vi) use the audit plan to verify the reliability of the Company's information systems, including its accounting IT systems.

Upon the recommendation of the director in charge of the system of internal control and risk management, following the opinion in favour of the Control and Risk Management Committee and the opinion of the Board of Statutory Auditors, Paolo De Benedetti was appointed Head of the Internal Audit Department on 28 February 2013.

The Head of the Internal Audit is not under the authority of any other operational area, and reports to the Board of Directors, the director in charge of the system of internal control and risk management, the Control and Risk Management Committee and the Board of Statutory Auditors.

The Director in charge of the Internal Control and Risk Management System ensures that the Department has resources appropriate for the performance of its duties and establishes the remuneration of the Head of Internal Audit, in line with the compensation level set for corporate management.

The Head of the Internal Audit verifies the operations and appropriateness of the control and risk management system through an audit plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks: a risk-based audit plan.

The audit plan takes the following into consideration:

- (i) the intervention priority required to allow for the allocation of considerable resources based on the material nature and significance of the exposure to risk;
- (ii) flexibility to be able to face unforeseen situations;
- (iii) adequate audit coverage on all corporate processes.

Audits targeting the Parent Company and its subsidiaries in 2018 involved six audit categories:

- Operational: analysis of the company processes and their assessment in terms of efficacy and efficiency;
- Compliance: the application of some operational guidelines on the part of the Parent Company and companies in the Group;
- 231 Compliance: the application of Legislative Decree 231/2001, in support of Supervisory Bodies of the Parent Company and its subsidiaries;
- Financial: the application of Italian Law 262/2005, in support of the Financial Reporting Officer;
- IT: in support of information systems;
- Fraud.

#### **ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001**

On 11 December 2003, the Board of Directors adopted an Organisation, Management and Control Model in compliance with Italian Legislative Decree 231/2001, which introduced the principle of corporate liability into the Italian legal system in connection with certain types of crimes committed by the directors, managers or employees of a company in the interest or to the advantage of the company itself.

On 14 November 2018, the Board of Directors adopted an updated and integrated version of the organisation, Management and Control Model, updated and integrated following the evolution of the regulatory framework of reference, the organizational changes of the Issuer and in order to take into account also the jurisprudential orientations and the experience gained during the first years of application of the Model.

The Model, drawn up in compliance with the guidelines prepared on the matter by trade associations, represents an additional qualifying element of the internal control system of the Company and the Group, and consists of:

- of a general part containing specific information on qualifying contents of Legislative Decree no. 231/2001 and subsequent additions, objectives and operating methods of the Model, attributions of the Body called upon to supervise the application and functioning of the Model, information flows, and the sanctioning regime connected to violations of the provisions of the Model;
- a special part made up of a series of specific protocols to follow depending on the types of crimes covered by Italian Legislative Decree 231/2001.

The organisation, Management and Control Model is available on the website [www.mondadori.it](http://www.mondadori.it) – Governance section.

## **SUPERVISORY AND CONTROL BODY**

On 24 April 2018, the Board of Directors confirmed the Supervisory and Control Body on the Organisational Model pursuant to Legislative Decree no. 231/2001 as a body, with a term until the expiry of the Board's mandate or a resolution otherwise. It is constituted as follows:

**Sara Fornasiero** - Chairwoman of the Board of Statutory Auditors;

**Angelo Renoldi** – independent director;

**Paolo De Benedetti** – Head of the Internal Audit function of the Group

To the Supervisory and Control Body - in compliance with the provisions of Legislative Decree no. 231/2001 and subsequent amendments and additions - the Board of Directors has granted the broadest powers of initiative and control in order to guarantee the timely and efficient supervision of the functioning and observance of the Model, authorising free access of the Body Supervision and Control to all company departments in order to obtain the information and data deemed necessary for the performance of the task assigned.

By way of example, the following tasks and tasks are assigned to the Supervisory and Control Body, where necessary with the collaboration of other company functions and external consultants, and with full economic autonomy, including through the definition of specific budget items:

- (i) to monitor compliance with the provisions of the Model by the parties concerned, reporting any problems and sectors that may be more at risk, in consideration of the violations occurred;
- (ii) monitor the actual effectiveness and effective capacity of the Model to prevent the commission of crimes pursuant to Legislative Decree no. 231/2001 as amended, in relation to individual company structures and the actual activity carried out;
- (iii) to ensure that the requisites remain for the Model to enjoy stability and functionality over the long term;
- (iv) to oversee any opportunities to update the Model, in the event that it requires adjustment due to regulatory changes or developments within the Company;
- (v) to access records and information from the various corporate functions in order to carry out periodic checks and monitor specific at-risk activities;
- (vi) to promote information and training initiatives that are oriented around the Model's principles, values and code of conduct.

The Supervisory and Control Body periodically reports to the Board of Directors, Control and Risk Management Committee and Board of Statutory Auditors on the work it has carried out, on the functioning of the Model, or on any specific situations that have arisen.

## **INDEPENDENT AUDITOR**

With the Shareholders' Meeting called for 17 April 2019 for the approval of the financial statements at 31 December 2018, the appointment for the statutory audit of the accounts of Deloitte & Touche S.p.A. conferred by the Shareholders' Meeting of 27 April 2010 will expire.

The Shareholders' Meeting will be called to proceed with the assignment of the new auditing mandate for the nine-year period of 2019-2027 based on the reasoned proposal of the Board of Statutory Auditors, prepared following the selection procedure initiated by the Company in compliance with current legislation (Regulation EU No. 537/2014, 2014/56 Directive 2014 and Legislative Decree No. 39/2010, last amended by Legislative Decree No. 135/2016).

Art. 16, paragraph 2 of the EU Regulation strengthened the role of the Board of Statutory Auditors in its capacity as the "Internal Control and Accounting Audit Committee", attributing it with the "responsibility for the procedure

for the selection of the statutory auditors or audit companies and with recommending the statutory auditors or audit companies”, as well as the competence to formulate a motivated recommendation for the appointment, containing at least two possible alternatives for the assignment and the expression of the preference for one of the two.

## **FINANCIAL REPORTING OFFICER**

In its meeting of 24 April 2018, the Board, having heard the opinion in favour of the Board of Statutory Auditors and verified the fulfilment of the requirements of professionalism as provided by the Articles of Association, confirmed the appointment of the director Oddone Maria Pozzi as “Financial Reporting Officer”, pursuant to Article 24 of the Articles of Association and Article 154–*bis* of Legislative Decree 58/1998, until expiration of the mandate of the Board of Directors or other deliberation.

The Board of Directors also conferred the Financial Reporting Officer with the powers and means necessary to perform the functions provided for by the aforementioned Article 154-*bis* of Legislative Decree 58/1998, and from any applicable legislation, also in terms of management and coordination of the company functions involved in verifying administrative and accounting procedures.

For matters concerning the professional qualifications of the Financial Reporting Officer and the appointment procedure used by the Board of Directors, please refer to Article 24 of the Articles of Association, published on the Company website at [www.mondadori.it](http://www.mondadori.it) – Governance section.

In the performance of his/her duties, the Financial Reporting Officer implemented and coordinated a series of organisational and operational measures aimed at meeting the requirements of regulations in force.

A reference operational Model based on the “Internal Control Model” drawn up by the Committee of Sponsoring Organizations of the Treadway Commission was identified, which represents the most widespread international standard for internal control systems.

The objective of the Model objective is to ensure reliability in financial reporting, achieved by identifying a series of controls to be implemented during accounting and administrative procedures, in particular during the preparation of the separate financial statements, the consolidated financial statements, the semi-annual financial report and any kind of financial report in general.

The Model also regulates the methods used to monitor the adequacy of accounting and administrative procedures, as well as the checks in place to verify that these procedures are actually being implemented.

With the support of the Control and Risk Management Committee, the Board of Directors ensures that the powers and resources granted to the Financial Reporting Officer are appropriate to this task, and that accounting and administrative procedures are respected in practice.

Specifically, the Board has:

- formalised a set of Rules for the Financial Reporting Officer, which establish procedural and organisational terms for the following:
  - roles and functions of the Financial Reporting Officer, which are to be exercised in relation to the tasks and responsibilities legally assigned to him/her. The powers already conferred by the Board of Directors upon appointment, are articulated in terms of spending powers and use of internal resources and specific company functions, for the definition, implementation and monitoring of procedures, and to the “Internal Audit” for verification activities of the correct application of such procedures;
  - the main information flows, and how to coordinate the respective activities of the Financial Reporting Officer, Board of Directors, Board of Statutory Auditors and the various corporate functions;

- it has verified the Operational Model, which regulates the methods used to monitor the adequacy of accounting and administrative procedures, as well as the controls in place to verify that these procedures are actually being implemented.

### **COORDINATION OF PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

An effective internal control and risk management system must contribute to management of the company that is in line with the corporate objectives through informed decisions. The internal control system must not only consider the management of risk in its entirety, but it must be updated over time.

This presupposes that its components are coordinated and interdependent, and that the system as a whole is in turn integrated into the general organisational, administrative and accounting structure of the company.

The Control and Risk Management Committee provides for the participation of the Board of Statutory Auditors, the Financial Reporting Officer and, if additional information is required on the management and operation of the business, the appropriate company management will also be asked to attend.

The activities carried out by the Committee are duly and regularly reported to the Board.

### **MAIN FEATURES OF THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS**

#### **INTRODUCTION**

The guidelines of the internal control system were defined by the Board of Directors with the support of the Control and Risk Management Committee in order to allow proper company management that is correct and consistent with the objectives established, through an adequate process of identification, measurement, management and monitoring of the main risks.

In compliance with the provisions of Art. 123-*bis*, paragraph 2(b) of the TUF, in relation to the financial reporting process, the risk management system is an integral part of the internal control system, understood as the set of rules, procedures and organisational structures aimed at ensuring the reliability, accuracy, and timeliness of financial reporting.

As part of the financial disclosure process, the Company, as a listed company, has appointed a Financial Reporting Officer for the preparation of corporate accounting documents, to which the law assigns specific competences, responsibilities and obligations of attestation and declaration.

In accordance with statutory and legal provisions, with the support of the director in charge of the internal control and risk management system and the Board of Directors, the Financial Reporting Officer established a reference control model and outlined specific activity flows involving multiple business functions, with the aim of supporting it in certification process 262.

#### **INTERNAL CONTROL MODEL**

In compliance with legislation in force, the Financial Reporting Officer has adopted a universally recognised control Model – COSO's Internal Control Integrated Model – to assess the design and effectiveness of the Internal Control System as relates to periodic financial reporting.

This reference model makes it possible to assess the adequacy of the internal control system with respect to three dimensions of analysis (objectives, scope and components), for each of which the aspects relevant to application in the Group have been selected.

From an objectives point of view, the Group's primary focus has been on its financial reporting objective, whose goal is the timeliness and reliability in financial reporting and accounting.

The purpose of internal control processes is to provide the Company with reasonable assurance that:

- the preparation of financial reports is in line with the timetables established by the regulations in force;

- the data, information and process being used to prepare financial reports are all reliable.

The Model is able to assess the adequacy of an internal control system on various corporate levels, including at a Group level, company level, process level, etc.

From the point of view of the components, which represent the elements with respect to which to assess the adequacy of the control system in achieving the set objectives, focus has been placed on:

- the "Control Environment", in which the subjects and instruments for the preparation, assessment and verification of the general internal control system were identified, in which the reliability of the economic-financial information represents one of the objectives;
- the "Risk assessment", or the identification of negative events that may preclude the achievement of the objectives of reliability and timeliness of the financial information and on the assessment of the risk related to the manifestation of such events;
- "Control Activities", which are the actions and controls that are in place to mitigate the risks that have already been identified and assessed. The control system will be effective to the extent that risks are adequately covered by a risk response and by specific control activities. The processes involved in risk assessment and the identification of control activities were carried out by creating a map of the accounting and administrative procedures and then assessing its adequacy;
- on "Monitoring Activities", which calls for measures to be taken periodically in order to evaluate and verify:
  - the actual implementation of procedures and the control activities mentioned above;
  - the updating of procedures and the control activities mentioned above;
- on "Information and Communication", which calls for the organisation of effective communication channels between the personnel involved in the internal control system. In this case, these flows include:
  - informing the parties concerned of the procedures that apply to them;
  - exchanges of information between the individuals who have a role in the corporate governance system;
  - reporting on the progress of any activities being carried out to improve the internal control system;
  - reporting on any irregularities found during the monitoring process, which are described in subsequent sections of this document.



#### CHARACTERISTIC FEATURES OF THE INTERNAL CONTROL MODEL

The Financial Reporting Officer works in conjunction with the bodies involved in corporate governance, first-level corporate functions and all the companies involved on a Group level, in order to receive information on any activities being carried out that have an impact on the economic, equity or financial situation of the Group.

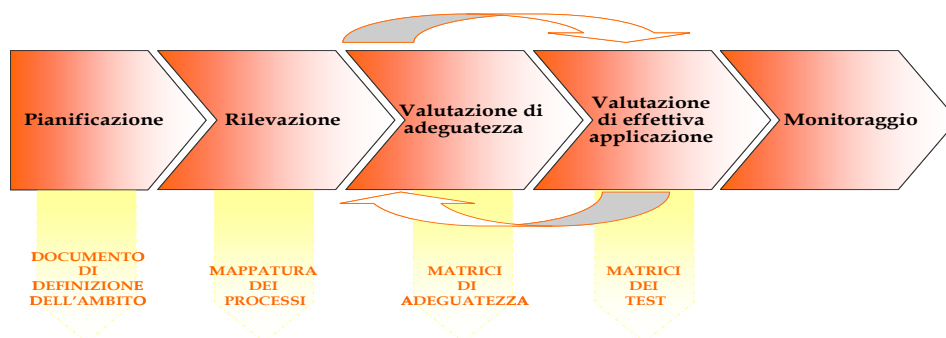
In order to best implement the internal control Model, the Financial Reporting Officer works in close contact with Heads of Operating Processes and the Internal Audit.

In particular:

- the Operating Processes function assists him mainly with preparing documents that will be used to analyse and assess the adequacy of accounting and administrative procedures;
- the Internal Audit function assists him mainly in verifying that these procedures are actually being implemented.

The internal control Model at Mondadori is organised around the following phases, which were specifically worked on and updated during the year under review:

- Planning;
- Recording;
- Assessment of adequacy;
- Assessment of actual implementation;
- Establishment and monitoring of corrective measures.



### Planning

The Company has updated its scope of analysis in the “Scope of Analysis Document” to include all of the Group’s subsidiaries as a consolidated whole.

In particular:

- a material threshold was established for accounting items;
- a qualitative and quantitative risk assessment of accounting items was carried out by division;
- each business division was subjected to a global assessment of the material nature of single accounting items in order to determine the scope of analysis;
- processes were identified for each division, where they were matched with the accounting items included in the scope of analysis;
- each process was then assigned an overall risk assessment for each *business* division (high, medium, low).

### Recording

Processes and procedures have been mapped within the relevant financial statement areas, highlighting the control activities considered key for the purpose of hedging the identified risks related to financial reporting. The Heads of the various processes involved collaborated on this mapping activity.

The map was created through the use of flow charts, which described the activities, supporting resources, and roles/responsibilities.

### Assessment of adequacy

By assessing the key control activities in place (which address identified risks), and by using a specific effectiveness matrix, the adequacy of the processes and procedures was analysed and documented.



The Heads of the respective processes are informed of the assessment's findings. In the event of any inadequate controls, corrective measures are put in place.

#### **Assessment of actual implementation**

The mapped processes were subjected to an assessment, on the part of the Internal Audit function, of the actual implementation of key control activities. The findings are collected in specific reports to the Financial Reporting Officer, which are used to update documentation on the processes and put any corrective measures in place.

#### **Establishment and monitoring of corrective measures**

The internal control Model was monitored in the following ways:

- activation of communication channels with the Heads of the respective processes, in order to identify any changes in their activities through process certification forms;
- updates of process-related documentation (flow charts and effectiveness matrices);
- establishment and implementation of corrective measures aimed at restoring adequacy to any inadequate key controls;
- preparation of certification paperwork on the part of the companies in the Group which have been the focus of analysis;
- ensuring a proper flow of information to the Board of Statutory Auditors.

### **9. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS**

In implementation of the Art. 2391-bis of the Civil Code and according to the general principles indicated by the "Regulation on Transactions with Related Parties" issued by Consob with Resolution no. 17221 of 12 March 2010 and subsequent amendments (the "Consob Regulation"), the Board of Directors approved, on 25 November 2010, subject to the favourable opinion of a Committee consisting exclusively of the independent directors Angelo Renoldi, Cristina Rossello and Marco Spadacini, the "Procedures for transactions with related parties" (the "Procedures").

The Procedures, which replace the previous internal regulation adopted by the Board of Directors on the matter, describe the rules, roles, responsibilities and activities carried out in order to ensure transparency and substantial and procedural correctness of transactions with related parties implemented by the Company directly or through subsidiaries.

The Procedures adopted by the Board of Directors:

- identify and define Related Parties, making reference to the definitions covered by Annex 1 to the Consob Regulations and IAS 24;
- qualify the criteria for identifying transactions of greater importance, which are reserved for the approval of the Board of Directors subject to the favourable binding opinion of a Committee consisting exclusively of independent directors, and transactions of lesser importance;
- identify the bodies and entities involved in implementing these Procedures, while regulating their respective roles and making sure that the appropriate information and documents are being communicated effectively;
- identify the types of transactions that are exempt from the application of these Procedures.

In order to further consolidate the requirements of transparency and substantial and procedural correctness of transactions with related parties, in compliance with the principles underlying the relevant legislation, some of the

provisions of the Procedures apply more rigorous choices than the options delegated to the companies pursuant to Art. 4, paragraph 1(f) of the Consob Regulation.

In these terms, the Procedures provide for:

- for specific types of transactions, a reduction of the quantitative thresholds indicated by the Regulation for the identification of the most significant transactions;
- the exclusion of the "whitewash" meeting mechanism in the event of negative opinions expressed by the Committee of independent directors.

In keeping with the aforementioned criteria used to identify related parties, the Procedures also apply in the event that a Company director is one of the related parties involved, resulting in a potential conflict of interest with respect to the transaction at hand.

In general, in the case of transactions with the Company in which a director has an interest, on his own behalf or on behalf of third parties, the director concerned, in addition to providing the Board of Directors and the Board of Statutory Auditors in advance with the information referred to in Art. 2391 of the Civil Code, does not participate in the relative discussion and voting in the Board, unless otherwise specified by the Board of Directors, also in consideration of the characteristics of the transaction.

The "Procedures for Related-Party Transactions" are available on the website [www.mondadori.it](http://www.mondadori.it) – Governance section.

Detailed information on Related Party Transactions relating to the 2018 financial year is provided in the Report on Operations and explanatory notes to the separate and consolidated financial statements within the Annual Financial Report at 31 December 2018 available on the website [www.mondadori.it](http://www.mondadori.it) - Governance section.

## 10. BOARD OF STATUTORY AUDITORS

### COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors, composed according to the relevant provision of the Articles of Association by three standing auditors and three alternates, was appointed by the Shareholders' Meeting of 24 April 2018 and will expire at the meeting to approve the financial statements at 31 December 2020.

At the end of the reference year of this Report, the Board of Statutory Auditors is composed as follows:

<b>Sara Fornasiero</b>	- Chairwoman
<b>Flavia Daunia Minutillo</b>	– standing statutory auditor
<b>Ezio Simonelli</b>	– standing statutory auditor
<b>Mario Civetta</b>	- substitute auditor
<b>Francesco Vittadini</b>	– substitute auditor
<b>Annalisa Firmani</b>	– substitute auditor

The following table lists the positions as board member or statutory auditor held by current members of the Board of Statutory Auditors of Arnoldo Mondadori Editore S.p.A. in other listed companies:

Board of Statutory Auditors	Positions held by statutory auditors in other listed companies
Sara Fornasiero	Statutory Auditor of Leonardo S.p.A. Director of Landi Renzo S.p.A.
Flavia Daunia Minutillo	Statutory Auditor of Banca Generali S.p.A. Statutory Auditor of Molmed S.p.A.
Ezio Simonelli	Statutory Auditor of Marr S.p.A. Statutory Auditor of Mediaset S.p.A.

The term of office for statutory auditors is three years, and they can be reappointed.

Professional and personal biographies of each member of the Board of Statutory Auditors can be found on the website [www.mondadori.it](http://www.mondadori.it) – Governance section.

In accordance with the current provisions in the Articles of Association, all statutory auditors must be officially listed on the Italian Register of Statutory Auditors and Audit Firms, and must have at least three years of statutory audit experience.

Statutory auditors must also meet all legal and regulatory requirements in force.

The remuneration of the statutory auditors, as resolved by the Shareholders' Meeting on 24 April 2018, is commensurate with the commitment that is required, the significance of the office held, the size of the Company and the sector in which it operates.

During 2018, 20 meetings were held by the Board of Statutory Auditors, averaging two hours per meeting, for which minutes were regularly kept. The Control and Risk Management Committee and the Heads of the various corporate functions – including the Head of Internal Audit – met with a focus on assessing the adequacy of the system of internal control and risk management and meetings were held between the Board of Statutory Auditors and the external audit firm in order to have a mutual exchange of information. The Committee also met the members of the Boards of Statutory Auditors of the Mondadori Group's subsidiaries to allow the regular exchange of information.

The Board of Statutory Auditors also:

- at the first meeting following his appointment by the Shareholders' Meeting of 24 April 2018, it verified its members' existence of the criteria adopted by the Board of Directors to assess the independence of directors, as well as the requirements of integrity and professionalism pursuant to the TUF;
- it supervised the selection procedure of the statutory auditing firm, issuing the motivated recommendation to be submitted to the Shareholders' Meeting for the appointment of the statutory audit of the accounts;
- monitored the independent status of the external audit firm, including the nature and extent of non-audit services provided to the Company and its subsidiaries by the audit firm and/or any entities belonging to the audit firm's network.

The meeting attendance rates for each statutory auditor are annexed hereto.

## **APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS**

The provisions of Art. 27 of the current Articles of Association on the methods and procedure for the appointment of directors through the list voting system of the Board of Statutory Auditors.

The current composition of the Board of Statutory Auditors, appointed by the Shareholders' Meeting of 24 April 2018 is comprised of one-third of the less represented gender in compliance with current legislation on gender balance (Law 120 of 12 July 2011). Upon the first renewal of the control body after one year from the entry into force of the aforementioned Law, the Shareholders' Meeting of 23 April 2015 had already appointed the members of the Board, ensuring that at least one fifth was of the less represented gender.

It is also noted that:

- as regards the shareholding required for presentation of the lists, the Articles of Association, as specified below, refer to the percentage is established annually by Consob based on the average market capitalisation of companies in the last quarter of each year, based on the Issuers' Regulations. Under Consob Resolution No. 13 of 24 January 2019, the current minimum ownership stake required to submit a list of candidates for Arnaldo Mondadori Editore has been set at 2.5% of its share capital.

The same minimum ownership stake of 2.5% was applicable during the appointment of the Board of Statutory Auditors at the Shareholders' Meeting on 24 April 2018.

### **Article 27 of the Articles of Association:**

*1. The Ordinary General Meeting elects the Board of Statutory Auditors, which consists of three standing members and three alternate members, who shall remain in office for three years and expire at the Shareholders' Meeting called to approve the financial statements for the third year of the term of office; they may be re-elected. The composition of the Board of Statutory Auditors referred to in this provision shall apply from the first appointment following the adoption of the same.*

*All of the Statutory Auditors must be registered in the Register of statutory auditors and independent auditing firms established pursuant to law, and have performed auditing activities for a period of not less than three years.*

*The Statutory Auditors shall also meet the requirements provided for in the relevant applicable law and regulatory provisions and the Board of Directors shall verify compliance.*

*2. Statutory Auditors shall be appointed on the basis of lists submitted by the shareholders with the procedure described below. The lists shall contain a number of candidates registered with a progressive number. Each list shall have two sections: one for the candidates for Standing Statutory Auditor and the other for the candidates for Alternate Statutory Auditor. A candidate may only be named on one list, otherwise s/he shall be ineligible for election.*

*Each list shall include the indication of at least one Standing and one Alternate Statutory Auditor.*

*In order to ensure gender balance in accordance with regulations currently in force, each list that contains a total number of candidates equal to or greater than three must provide for the presence of candidates of both genders, so that at least one candidate for the office of statutory auditor and one for the office of alternate auditor is of the less represented gender.*

*3. Shareholders with voting rights may submit lists when they represent, alone or together with other shareholders, at least that percentage of capital subscribed determined and published by Consob for the submission of the lists of candidates for the appointment of the Board of Directors pursuant to the Issuers' Regulation as of the date of submission of the list.*

*The ownership of a percentage of the share capital is determined by taking into account the shares that have been registered to shareholders on the day on which the list is filed with the Company, with reference to the capital subscribed as of the same date.*

*The relevant confirmation or certification may also be communicated or produced subsequent to the filing of the list, provided that this is served to the Company within the term established for the disclosure of the lists by the Company.*

*The company hereby allows shareholders who wish to submit lists to submit them by remote communication means, according to the criteria that it will indicate in the relevant call for the Shareholders' Meeting, which allow the identification of the shareholders upon submission.*

*The minimum equity interest required for the submission of lists of candidates for election to the Board of Statutory Auditors is specified in the relevant call for the Shareholders' Meeting to resolve upon the appointment of the Board itself.*

Each shareholder may neither file nor vote for more than one list, either directly or through nominees or trust companies. Shareholders belonging to the same group, which is intended as the parent company, subsidiaries and companies under joint control, and shareholders who have adhered to a Shareholders' Agreement pursuant to Article 122 of Legislative Decree 58/1998 referring to the Issuer's shares, may not submit nor vote for more than one list, either directly or through nominees or trust companies.

4. The lists are filed with the Company no later than the twenty-fifth day prior to the date of the Shareholders' Meeting called in first or single call to deliberate on the appointment of the members of the Board of Statutory Auditors, made available to the public at its registered office, website and with other methods provided for by applicable regulatory provisions at least twenty-one days before the date of the Shareholders' Meeting.

The lists are accompanied by the following:

- a) information on the identity of the shareholders who presented the lists, indicating the total percentage of shares held. of a declaration by the shareholders who presented the list and different from those who hold, even jointly, a controlling or relative majority shareholding, certifying the absence or the presence of relations of connection with the latter, in compliance with the provisions of Article 144-quinquies, first paragraph, of the Issuers Regulation");
- c) exhaustive information on the personal and professional characteristics of the candidates, as well as a declaration by the candidates certifying the possession of the requisites provided for by the law and by these Articles of Association and their acceptance of the candidacy.

Those who hold administrative and control offices in excess of the limits established by applicable laws and regulations cannot be elected as statutory auditors.

5. In the event that only one list has been filed, or only lists presented by shareholders who are connected between in accordance with Article 144-quinquies of the Issuers Regulation on the expiry date of the twenty-five day period prior to the date set for the first or single meeting called to deliberate on the appointment of statutory auditors, lists may be presented up to the third day following such date. In this case, the threshold referred to in paragraph 3 above is reduced by half.

6. Lists submitted that do not comply with the foregoing provisions will not be presented for voting.

7. Before the vote, the Chairman of the meeting will make reference to any of the declarations under letter (b), inviting meeting participants who have not filed or contributed to the filing of any lists, to declare any potential interest as specified above.

If a person who is connected to one or more shareholders has voted for a minority list, the existence of such a relationship is relevant only if the vote was decisive for the election of the auditor.

8. The statutory auditors are appointed as follows:

two Standing Statutory Auditors and two Alternate Statutory Auditors are drawn from the list obtaining the highest number of votes, in the order in which they are named on the list;

one Standing Statutory Auditor and one Alternate Statutory Auditor are appointed from the list obtaining the second highest number of votes at the Shareholders' Meeting, which, in accordance with regulations in force, is presented by shareholders who are not directly or indirectly linked with the shareholders who filed or voted for the list obtaining the highest number of votes, based on the progressive order in which they are named on the relevant list;

In the event that more than one list obtains the same number of votes, a new round of balloting shall be held, and listed candidates who receive a simple majority of the votes shall be elected.

If at the conclusion of voting and the above operations the composition of the Board of Statutory Auditors does not comply with current regulations on gender balance, the necessary replacements will be made in the numerical order in which candidates are listed on the list obtaining the highest number of votes.

9. The candidate at the top of the section of candidates for the office of standing auditor of the second list that has obtained the highest number of votes is elected as the Chairman of the Board of Statutory Auditors.

10. If only one list has been presented, the Shareholders' Meeting votes on it. If the list obtains the majority required by Article 2368 and following of the Civil Code, the three candidates indicated in progressive order in the relative section and the alternate auditors, the three candidates indicated in progressive order in the relative section, are elected statutory auditors; the Chairman of the Board of Statutory Auditors shall be the person indicated in first place in the section of candidates for the office of standing auditor in the list presented.

11. If there are no lists, or if the number of candidates elected through the list voting procedure is lower than the number established by the Articles of Association, the Board of Statutory Auditors will be respectively appointed or supplemented by the Shareholders' Meeting according to the majorities established by law.

12. In the event of replacement of an auditor, an alternate auditor from the same list as the former will take his/her place, in compliance with applicable provisions on gender balance. If this is not applicable, a shift in the order of subjects on the same list as the departing statutory auditor will be made or, alternatively, belonging to any other minority lists on the basis of votes received.

When the Shareholders' Meeting needs to appoint Statutory and/or alternate Auditors in order to supplement the Board of Statutory Auditors, the procedure is as follows to ensure compliance with applicable laws regarding gender equilibrium: should auditors elected from the majority list need to be replaced, their successors are appointed by a relative majority without list constraints. If Statutory Auditors from a minority list are to be replaced, the Shareholders Meeting does so by a relative majority vote, choosing from amongst the candidates indicated on the list to which the Statutory Auditors to be replaced belonged or, as a second option, from among the candidates contained in any additional minority lists.

In the absence of candidates from the minority list/s, and if the provisions applicable with regard to gender balance are not respected, the appointment takes place through the voting of one or more lists, composed of a number of candidates not exceeding those to be elected, presented before the meeting with the observance of the provisions set forth in this article for the appointment of the Board of Statutory Auditors, without prejudice to the fact that lists cannot be presented (and if presented, they will have no effect) by the reference shareholders and shareholders connected to them, as defined by the current laws and regulations. Candidates on the list that obtains the greatest number of votes will be elected.

If no lists are presented in compliance with the above and in compliance with applicable provisions on gender balance, appointments are made by a majority vote without list constraints.

13. In the event of replacement of the Chairman, the entering auditor holding office shall also act as the Chairman of the Board of Statutory Auditors.

14. The Shareholders' Meeting establishes the compensation due to statutory auditors in addition to the reimbursement of expenses borne for the performance of their activities.

15. The powers and duties of the statutory auditors correspond to those provided for in the relevant provisions of law.

16. The meetings of the Board of Statutory Auditors may also be held by telecommunication means, provided that all the participants can be identified and this identification is recorded in the relative minutes and they are allowed to follow the discussion and participate in real time in the discussion of the topics addressed, exchanging documentation where appropriate. In this case, the meeting of the Board of Statutory Auditors is considered to be held in the place where the Chairman of the meeting is located.

The Board of Statutory Auditors was elected by the Shareholders' Meeting of 24 April 2018 on the basis of the lists presented by the majority shareholder Fininvest S.p.A., holder of a 53.299% stake of the share capital for a total of 139,355,950 shares, and by a group of Shareholders formed by asset management companies and institutional investors holding a total of 8,065,686 shares, for 3.084% of the share capital.

Pursuant to the Articles of Association and current regulations, the Chairman of the Board of Statutory Auditors is elected based on the minority list presented.

## **INTERESTS OF STATUTORY AUDITORS**

If the Company is involved in a transaction in which a statutory auditor is a stakeholder, be it directly or on behalf of third parties, the statutory auditor concerned shall promptly and thoroughly inform the other statutory auditors and the Chairman of the Board of Directors on the nature, terms, origin and extent of his/her stake.

## **11. INVESTOR RELATIONS**

A specific corporate function called Investor Relations has been set up to manage relations with institutional investors and shareholders in general, the latter in conjunction with the Department of Corporate and Legal Affairs.

The Company uses a communication policy to financial market operators based on the dissemination of complete and correct information on company results, initiatives and strategies, in compliance with rules dictated by Consob and Borsa Italiana and the confidentiality requirements that certain information may require, paying

particular attention to ensuring transparent and timely information to support relations with the financial community.

The Investor Relations function, headed by Nicoletta Pinoia, can be contacted at the following e-mail address: [invrel@mondadori.it](mailto:invrel@mondadori.it) o [nicoletta.pinoia@mondadori.it](mailto:nicoletta.pinoia@mondadori.it).

The Company has added a specific "Investor Relations" section to its website [www.mondadori.it](http://www.mondadori.it) as a key channel for making public company information, including financial results, corporate developments, stock exchange listings, and a schedule of events.

## 12. SHAREHOLDERS' MEETINGS

The following Articles of the Articles of Association regulate the calling, running and right to attend and vote at the Shareholders' Meeting:

- Article 9, on the ways in which the Shareholders' Meeting is called:
  - the Meeting is called by publishing the relevant notice of call on the Company's website, subject to applicable regulations in force;
  - provision of the convocation of the shareholders' meeting, additions to the agenda and the presentation of resolution proposals on matters already on the agenda at the request of minority shareholders in compliance with applicable legal provisions;
  - provision for exercising the right to attend and vote by electronic means if expressly provided for in the notice of call;
- Art. 11 in relation to the methods of entitlement to attend the meeting and to exercise the right to vote: in accordance with the principle of the so-called "record date", the legitimacy is attested by the communication to the Company, made by the intermediary on the basis of the results on the end of the accounting day of the seventh day of open market prior to the date set for the meeting, any subsequent changes to this term being irrelevant for the purposes of legitimising the right to vote. The notice must reach the Company by the end of the third open market day prior to the date set for the meeting or beyond the deadlines provided, provided it is before the start of the meeting;
- Art. 12 in relation to the provision of the right to assign and notify the proxy to vote electronically, pursuant to Art. 135-novies, paragraph 6, of Legislative Decree no. 58/1998:
  - possibility to designate a proxy through an electronically-signed, computerized proxy form – as per the instructions in the Meeting's notice of call – by using the appropriate section of the Company's website or by sending the designation of proxy form to the Company's certified e-mail address;
  - the power for the Board of Directors to designate a person for each meeting to act as a proxy on behalf of shareholders, with instructions to vote on all or some of the items on the agenda;
- Article 16, on the convocation and resolutions of Meetings:
  - right of choice of the Board of Directors to call the shareholders' meeting, both ordinary and extraordinary, in single call pursuant to Art. 2369, paragraph 1 of the Civil Code, or in multiple calls pursuant to Art. 2369, paragraph 2 and following of the Civil Code;
  - enforcement of the quorums recognised by law which validate the Meeting's convocation and its resolutions, both on first call and subsequent calls, as well as on single call.

Documentation relating to the matters on the agenda is made available to the public, within the terms of the law, by its filing at the registered office, the authorised storage mechanism "1info" ([www.1info.it](http://www.1info.it)) and publication on the Company's website.

The powers of the Ordinary and Extraordinary Shareholders' Meeting are determined pursuant to legislation in force.

With regard to the provisions of Art. 2365 of the Civil Code, the right of the Board of Directors to adopt specific resolutions on certain matters also pertaining to the Shareholders' Meeting, without prejudice to the competence of the shareholders' meeting on such matters.

#### **SHAREHOLDERS' MEETING REGULATION**

The ordinary session of the Shareholders' Meeting of 24 April 2001 deliberated on the adoption of a meeting regulation that governs the methods by which the right of each shareholder to take the floor on the items under discussion is guaranteed, and aimed at ensuring the orderly and functional conduct of the shareholders' meetings, guaranteeing the efficiency requirements of the related decision-making process to protect the interests of the majority of shareholders.

The regulation is made available to shareholders at the registered office and at locations where the meetings are held (as well as on the site [www.mondadori.it](http://www.mondadori.it) - *Governance* section).

It is also customary for the Board of Directors to use the Shareholders' Meetings as an opportunity to report on the work the Group has been carrying out, and what it has planned for the future.

### **13. ADDITIONAL CORPORATE GOVERNANCE PRACTICES**

There are no comments with regard to the contents of this report.

### **14. CHANGES FROM THE END OF THE REFERENCE FINANCIAL YEAR**

There are no comments with regard to the contents of this report.

### **15. CONSIDERATIONS ON THE LETTER OF 21 DECEMBER 2018 OF THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE**

The members of the Control and Risk Committee and of the Board of Statutory Auditors analysed the four recommendations in detail as relates to the areas of improvement identified by the Chairman of the Corporate Governance Committee in 2018.

At the end of the self-assessment process, there were no critical issues to be brought to the attention of the Board.

With particular reference to the first recommendation (adequacy of pre-meeting information and confidentiality requirement), the company is currently studying a process for the digitalisation of the activities of the Board of Directors and board committees.



## ANNEXES

### TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors											Control and Risk Management Committee		Remuneration and Appointments Committee		Related Parties Committee		Executive Committee (a)
Office	Members	In office from	In office until (*)	List *	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. of other offices held **	(*)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairperson	Berlusconi Marina	24/04/2018	31/12/2020	M	X				3	100							
Man. Dir.*	Mauri Ernesto	24/04/2018	31/12/2020	M	X				4	100							
Director	Ainio Paolo Guglielmo Luigi	24/04/2018	31/12/2020	M		X			7	88.88							
Director	Berlusconi Pier Silvio	24/04/2018	31/12/2020	M		X			4	22.22							
Director	Biffi Elena	24/04/2018	31/12/2020	M		X	X	X	1	100			100	M	-	M	
Director	Curro Francesco	24/04/2018	31/12/2020	M		X			0	100							
Director	Forneron Mondadori Martina	24/04/2018	31/12/2020	M		X	X	X	0	-							
Director	Gianguialano Patrizia Michela	24/04/2018	31/12/2020	M		X	X	X	1	100	100	M					
Director	Pellegrino Danilo	24/04/2018	31/12/2020	M		X			6	100							
Director	Poli Roberto	24/04/2018	31/12/2020	M		X			7	100							
Director	Pozzi Oddone Maria	24/04/2018	31/12/2020	M	X				13	100							
Director	Renoldi Angelo	24/04/2018	31/12/2020	M		X	X	X	2	100	92.9	M	100	P	-	P	
Director	Resca Mario	24/04/2018	31/12/2020	M	X				9	88.88							
Director <sup>o</sup>	Rossello Cristina	24/04/2018	31/12/2020	M		X	X	X	6	100	100	P	100	M	-	M	
<b>-----DIRECTORS THAT DEPARTED DURING THE FINANCIAL YEAR-----</b>																	
Director	Cannatelli Pasquale	23/04/2015	24/04/2018	M		X			2	50							
Director	Messina Alfredo	23/04/2015	24/04/2018	M		X			2	50			100	M			
Director	Spadacini Marco	23/04/2015	24/04/2018	M		X	X	X	13	100	100	M	100	P	-	M	
<b>Number of meetings that took place during the fiscal year</b>				<b>Board of Directors: 9</b>				<b>Control and Risk Management Committee: 14</b>				<b>Remuneration and Appointments Committee: 4</b>				<b>Related Parties Committee: -</b>	
<b>Quorum needed to present a list of candidates at the last appointment: 2.5%</b>							<b>The ownership stake applicable to the Company for the submission of lists was determined by Consob Resolution No. 13 of 24/01/2019: 2.5%</b>										

#### NOTES

<sup>o</sup> This symbol indicates the Lead Independent Director (LID).

\* This symbol indicates a Director in charge of the system of internal control and risk management.

(<sup>o</sup>) The end date of the term is to be understood as the date of the Shareholders' Meeting to approve the financial statements.

\* The M/m in this column depends on whether the Board member was appointed from a list voted by a majority (M) or a minority (m). "C" indicates whether the directors was elected by the Board of Directors by co-option.

\*\* This column reports the number of positions held by the person concerned as director or statutory auditor in other companies listed on regulated markets, including foreign markets, as well as in financial companies, banks, and insurance companies. The number indicated includes all the positions of director or statutory auditor held by the person in question, also in companies other than those indicated above, including offices assigned within the Mondadori Group. These positions are described in further detail in this Report.

(\*) This column indicates the percentage participation of the directors in the meetings of the Board of Directors and the Committees in the 2018 financial year (number of attendances/number of meetings held during the effective term of office of the interested party, also for a fraction of a year).

(\*\*) This column indicates the position of the director within the Committee: "P": Chairperson, "M": Member.

(a) It should be noted that no "Executive Committee" has been formed.

**TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Board of Statutory Auditors							
Office	Members	In office from	In office until (*)	List *	Indep. by Code	Participation in the meetings of the Board **	No. of other offices held ***
Chairperson	Fornasiero Sara	24/04/2018	31/12/2020	m	X	100	3
Standing Statutory Auditor	Minutillo Flavia Daunia	24/04/2018	31/12/2020	M	X	100	12
Standing Statutory Auditor	Simonelli Ezio	24/04/2018	31/12/2020	M	X	93.33	11
Substitute Statutory Auditor	Civetta Mario	24/04/2018	31/12/2020	m	X	-	
Substitute Statutory Auditor	Annalisa Firmani	24/04/2018	31/12/2020	M	X	-	
Substitute Statutory Auditor	Vittadini Francesco	24/04/2018	31/12/2020	M	X	-	
<b>----- STATUTORY AUDITORS THAT DEPARTED DURING THE REFERENCE FINANCIAL YEAR -----</b>							
Chairperson	Superti Furqa Ferdinando	23/04/2015	24/04/2018	M	X	100	5
Standing Statutory Auditor	Giampaolo Francesco Antonio	23/04/2015	24/04/2018	M	X	80	23
<b>Number of meetings that took place during the fiscal year: 20</b>							
<b>Quorum needed to present a list of candidates at the last appointment: 2.5%</b>			<b>The ownership stake applicable to the Company for the submission of lists was determined by Consob Resolution No. 13 of 24/01/2019: 2.5%</b>				

**NOTES**

(\*) The end date of the term is to be understood as the date of the Shareholders' Meeting to approve the financial statements

\* The M/m in this column depends on whether the Board member was appointed from a list voted by a majority (M) or a minority (m).

\*\* This column indicates the percentage attendance of auditors at the meetings of the Board of Statutory Auditors in the 2018 financial year (number of attendances/number of meetings held during the effective term of office of the interested party, also for a fraction of a year).

\*\*\* This column reports the number of positions held by the person concerned as director or statutory auditor pursuant to Article 148-bis of the TUF, including the position held at Mondadori. The complete list of offices is published by Consob on its website pursuant to Art. 144-quinquiesdecies of the Consob Issuers Regulation. In this Report, only positions held in other listed companies are described in further detail.

**TABLE 3: INFORMATION ON THE OWNERSHIP STRUCTURE**

Structure of share capital				
	Number of shares	% of share capital	Listed	Rights and obligations
Ordinary shares	261,458,340*	100	MTA - STAR SEGMENT	**
Multiple voting shares	----	----	----	----
Shares with limited voting rights	----	----	----	----
Shares without voting rights	----	----	----	----
Other	----	----	----	----

**NOTES**

\* As of the Report Date, the Company holds a total of 1,346,703 treasury shares with voting rights suspended within the limits of the law.

\*\* See chap. 2, Par. "Structure of share capital. Share structure and rights."

Major shareholders			
Declarant	Direct shareholder	% of ordinary share capital	% of voting share capital
Silvio Berlusconi	Fininvest S.p.A.	53.299	53.299
Silchester International Investors LLP *	Silchester International Investors LLP (as a manager of the Silchester International Investors International Value Equity Trust fund, which holds a 5.95% interest, and Silchester International Investors International Value Equity Group Trust, which holds a 3.23% interest)	12.363	12.363

**NOTES**

\* *Equity interests held in "discretionary asset management" portfolios.*