

# **Consolidated Non-Financial Statement**

**Pursuant to Italian  
Legislative Decree 254/2016**

# INTRODUCTION

In accordance with the requirements of Legislative Decree no. 254 of 30 December 2016, this Non-Financial Statement (NFS) includes a qualitative and quantitative description of the non-financial performance of the Mondadori Group (hereinafter also referred to as “the Group”, “Mondadori” or “the Company”) for 2018 (1 January - 31 December) regarding the most significant topics falling within the five areas identified by the Decree. Specifically, for each aspect, the following information is reported:

- a brief description of the reasons underlying the **materiality** of the non-financial topics reported, the assessment of which is provided below;
- for each material aspect, a brief description of the **main risks** generated and/or incurred that are linked to the Group’s operations, its products or services and its business relationships, including the supply chain and the relevant management procedures;
- a brief description of the **policies** adopted by the company in relation to the topic of reference;
- a description of the **business model and organizational arrangements** adopted by the Mondadori Group to manage material topics;
- a description of the **key performance indicators** relevant to understanding the results achieved from applying such policies; in line with the presentation of the economic and financial data in the Financial Report 2018, the data related to the subsidiary Mondadori France S.A.S. (classified as an asset held for sale) are presented separately, in accordance with IFRS 5.

Over the next few years, the Group will work towards gradually identifying its sustainability targets.

## THE NEW PROCESS FOR IDENTIFYING MATERIAL TOPICS

In order to identify the most relevant non-financial topics, the Mondadori Group has updated its materiality analysis, in accordance with the principles set out by the GRI Sustainability Reporting Standards (GRI Standards), including the “Media Sector Disclosures”, defined in 2016 and 2014 respectively by the Global Reporting Initiative (GRI).

The tables titled “scope of continuing operations” include the data for the Italian consolidated companies and Rizzoli International Publications (USA), unless otherwise specified.

The **new mapping of material topics** has required a process reorganization, which takes the activities carried out in the previous NFS as a starting point, while presenting **meaningful innovations**. Firstly, in order to lay out the context and potential challenges and opportunities of the media and publishing sector from an objective point of view, **independent experts from the sector** (academia, trade associations and content creators and managers) were involved. Thanks to these qualitative interviews and the ensuing **comparison with the main European peers**, a new proposal was developed on materiality topics to include in the analysis.

The results, shown in the table hereafter, were shared with the Mondadori Group’s Sustainability Committee and then validated.

## Materiality topics

Media sector	<b>Promotion of culture and reading</b> <b>Education and the school world</b> <b>Freedom of expression and editorial independence</b> <b>Responsibility of content</b> <b>Digital development</b>
Business / Governance	<b>Transformation of business models</b> <b>Business integrity and combating corruption</b> <b>Brand management</b> <b>Market abuse</b>
HR	<b>Enhancement and management of human capital</b> <b>Diversity</b>
Human rights	<b>Product accessibility</b> <b>Privacy and data protection</b>
Environment	<b>Climate change</b> <b>Management of environmental impacts</b> <b>Life cycle of the paper product</b>

Following these first two new phases of the process, **two engagement initiatives** were launched to identify the material topics ranked as priority for the Company and its stakeholders. The **stakeholders** involved were:

<b>Mondadori Group</b>	<b>External stakeholders</b>
CEO Top management members Members of the Sustainability Committee	Suppliers Franchisees

The Chief Executive Officer, top management and the Sustainability Committee were brought in for the assessment by the Mondadori Group.

For the first year, engagement was also extended externally by interviewing two categories of stakeholders identified as valid spokespeople of external opinion: the suppliers of the main utilities and the franchisees of the Mondadori bookstore

chain. Specifically, franchisees act as a bridge connecting the Group, the product and customers.

The assessment of the topics from the Group's perspective included an interview where, in the first phase, the material topics were addressed from a qualitative and contextual point of view; a questionnaire was then submitted for the prioritization of material topics for the Mondadori Group.

External stakeholders were involved in telephone interviews, answering the same questionnaire submitted to the Chief Executive Officer, the Sustainability Committee members and top management, in order to come to an overall result that was comparable and easily translated into a materiality matrix.

The set of results has led to the identification of the non-financial aspects that are material and necessary to ensure an understanding of the Company's activities, its performance, results and impact and, therefore, subject to reporting in the Mondadori Group's NFS.

The material aspects, as identified through the analysis, were brought to the attention of the Control and Risk Committee and the Board of Statutory Auditors, and are shown in the materiality matrix on page 85.

## Materiality matrix

The result of this new materiality analysis highlights two main points.

The first, considered mainly from the point of view of the Mondadori Group, refers to the period of

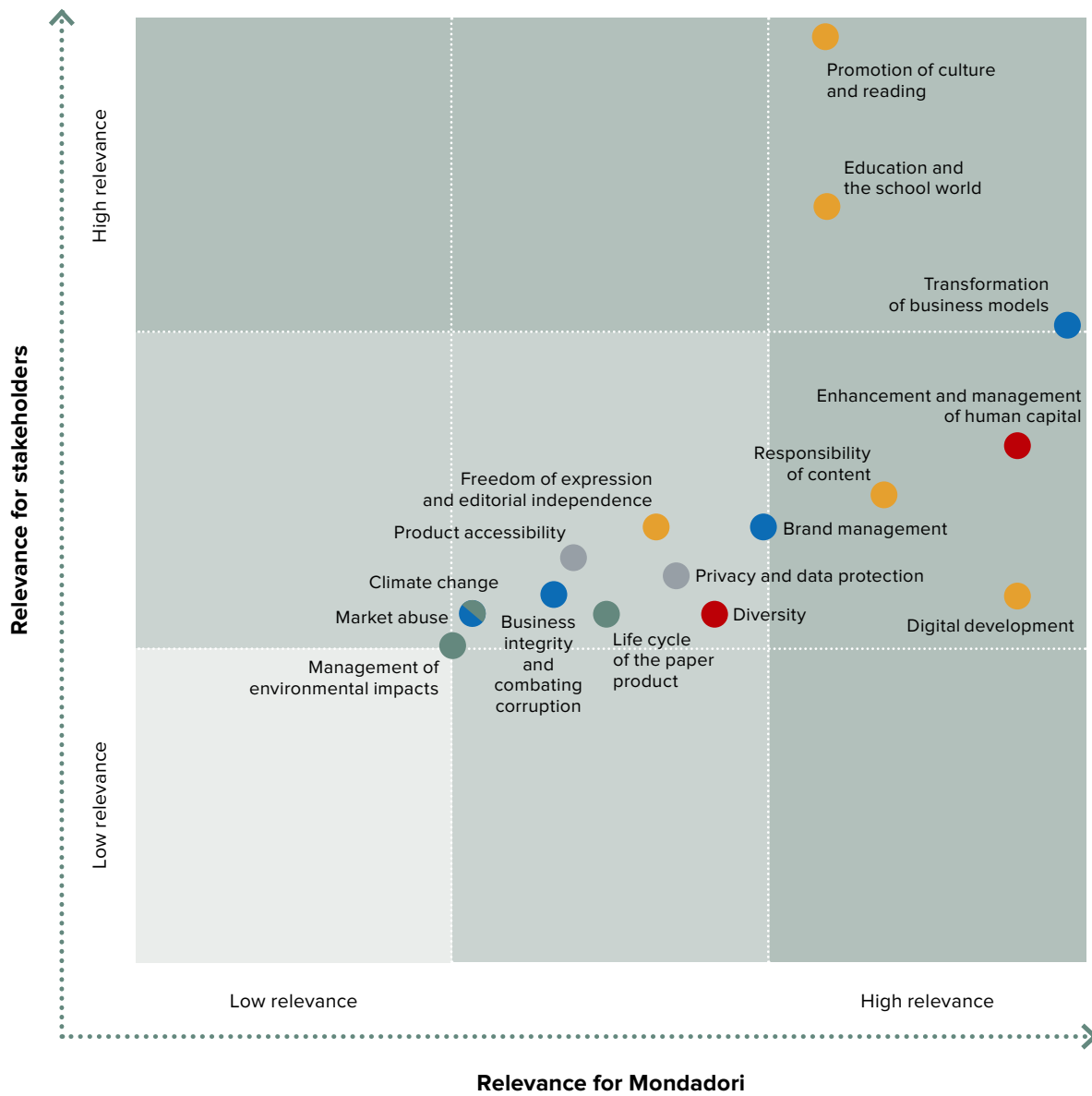
deep changes affecting the publishing industry, and Mondadori's proactive ability to seize every opportunity to grow. The first two priority topics from the Company's own perspective are, in fact, **Transformation of business models** and **Digital development**. These topics are only partially related to the areas referred to in Decree 254; on the other hand, they relate to the concept of sustainability as they identify the processes considered key to creating value over time by the Company.

The second, emphasized by both stakeholder dimensions, is grounded upon the pivotal relevance of culture, the importance of education and the role played by the Group in this context.

The results also stress the importance of individuals for the sustainability of the Company, shared by both the Group and its stakeholders, with regards to the development of new skills, professionalism and the willingness to adapt to changes in the market and the Group.

The remaining topics are ranked as lower priority but still relevant (and, for this reason, included within the materiality scope) for the Group, which will continue to cover these topics from an operational and transparency point of view.

## Materiality matrix



## OUR BUSINESS MODEL

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

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

In preparing an Organization, Management and Control Model (for the parent company and with appropriate versions for each of its Italian subsidiaries), the Mondadori Group set itself the objective of adopting a set of protocols which, together with the system for assigning powers and responsibilities, together with the other organizational tools and internal controlling, form an adequate system able to prevent criminal and administrative offences and raise awareness among employees and contractors of the rules of conduct to be followed when carrying out their duties. The Model and its Guidelines are constantly updated and appropriate to the different needs of the companies that are part of the Group.

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

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

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

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

As a sign of its growing commitment to sustainability, the Group has officially endorsed more specific policies sponsored by industry associations, such as Confindustria's Charter for Equal Opportunities and the Valore D Manifesto, undertaking a commitment to promote talent regardless of gender differences. Other steps have been taken over the years, such as the creation and constant updating of operational rules and procedures governing specific company operations, to make compliance with a changing legal framework part of daily work practices and to respond effectively to the new needs that have emerged from changes in business.

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

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

In 2017, guidelines for the publication of content and material on Group websites were set out and officially released in February 2018. These guidelines, together with the training provided to journalists on copyright on the Web and on privacy in journalism, organized by the Legal and Corporate Affairs Department, address issues connected with the handling of sensitive editorial content in newspapers and on online news channels, websites and social media accounts belonging to the Mondadori Group. For further details on the Group's privacy and personal data protection policies, see pp. 96-97.

The 2018-2019 programme to adapt the Organizational, Management and Control Model also includes the introduction of a whistleblowing procedure (to be completed in first half 2019, see p. 90) and an anti-corruption procedure (to be developed in 2019).

Lastly, in 2018 the Group drew up its Sustainability Policy: it reflects Mondadori's values and mission and indicates six key commitments that are consistent with the Company's activities and its role in society:

- Providing our clients with the possibility of benefiting from innovative and quality products.
- Actively promoting a culture that is accessible to everyone, knowing that the right to quality information and education is a crucial element in the development and growth of a Country.
- Giving voice to different points of view, rewarding originality and the diversity of thought, and ensuring respect for freedom of expression in the process of developing publishing products.
- Investing in the professional development of our people, enhancing their talent and encouraging them to be creative and enterprising.
- Creating a safe workplace for our employees and associates that provides equal opportunities for personal and professional achievement and expression.
- Respecting and protecting the surrounding environment through responsible use of natural resources and main energy carriers, reduction of polluting and climate-changing emissions, careful waste management and customer and supplier awareness on environmental sustainability issues.

## MAIN NON-FINANCIAL RISKS

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

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

Those risks were the subject of a Group risk assessment process by management, which found, however, that non-financial risks were not judged to be critical or of priority. For this reason, the risks have not been included in the section Internal Control and Risk Management System (pp. 61-65).

### Risks connected with environmental matters

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

and institutions over climate change could lead to reforms, in the future, to current legislative provisions governing emissions.

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

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

## Risks connected with social matters and respect for human rights

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

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

Main risks	Mitigation measures
Critical situations tied to potential restrictions on the freedom of expression of authors.	Continuous monitoring of the variety of titles published.
Critical situations tied to the publication of editorial content considered sensitive, the loss of customer data and reforms to privacy laws (GDPR, e-privacy, etc.).	Constant monitoring of sensitive data management practices and continuous improvement through the development of specific initiatives across the various company functions and the various Group companies. Details of the initiatives carried out in 2018 are found at pp. 96-97.
Critical situations tied to changes in society, where readership numbers are constantly falling.	Continuous improvement in cultural promotion initiatives through the involvement and engagement of the public on issues for which the Group chooses to be a mouthpiece (also in conjunction with franchisees).
Growing pressure from the public to distribute publications of quality, which are impartial and which respect diversity.	Continuous improvement in editorial content and product quality.
Changing demands of the readership as concerns tools for accessing editorial content.	Monitoring of the accessibility demands of the readership and the ability of the company to respond to those needs.
Critical situations connected with the inability of readers to distinguish the value of products sold, where suitable instruments are not provided to facilitate a fair understanding of mass media.	Continuous improvement in initiatives to raise awareness and educate the public as to the need to critically assess and analyze mass media.
Critical situations connected with a potential increase in competitive pressures in reference markets, which could lead to unfair competition by competitors.	Constant oversight of the issue through specific training for internal personnel and networking activities with trade associations.

## Risks connected with anti-corruption and bribery matters

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

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

Main risks	Mitigation measures
Critical situations tied to conduct infringing laws in force by people who act in the name or on account of the Group.	Constant oversight of the issue through organizational measures and controls to help ensure and spread proper conduct (training for personnel, selection of non-publishing products bundled with the publications, monitoring of the legal framework, networking with other companies in the sector). Drafting of the whistleblowing procedure (approval in 2019); implementation of the relating IT system managed externally (to guarantee violator and whistleblower privacy) as a communications channel to handle reportings; amendment of model 231 of the parent company and its subsidiaries; employee training plan.

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## Risks connected with employee-related matters

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

the financial performance of the Group and its competitive standing.

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

Main risks	Mitigation measures
Risk that technological development, changes in the competitive playing field and low turnover rates may lead to a progressive skills gap in personnel.	Creation and implementation of engagement and training plans able to furnish the skills needed to develop innovative solutions able to correctly interpret changes in the market and in society. See details on pp. 112-117.
Risk that a more dynamic jobs market may make it harder to retain people and attract new talent.	Continuous improvement in human resources management practices, in terms of negotiation, career management support, training, retention and job rotation policies.

## CORPORATE SOCIAL RESPONSIBILITY OF MEDIA COMPANIES

Offering quality content to an extensive range of different audiences, providing space for original voices representing various realities, with respect for diversity and the needs of the general public: the role and duties of a responsible media company in the third millennium are not very different from those of a traditional publisher. However, they also need to take into consideration new requirements springing forth from changes in civil society, from new technologies and from the breaking down of the linguistic and regional barriers which used to be so meaningful.

The desires and expectations of the customer play an increasing role in every sector, but particularly so in the publishing sector: the participatory dimension of consumption and the instant interaction with the end user have revolutionized the way we create and distribute products.

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

It is essential to listen and take heed, for better or worse, of suggestions, criticism and requests that come from the most diverse of audiences that come into contact with Mondadori.

As such, respect for the laws, rules and codes of conduct that regulate the daily activities of the company are not enough: close and constant attention must also be paid to the quality of products and services and the ability to renew them on the basis of the indications that come from users.

## Editorial independence

The Parent Company Arnoldo Mondadori Editore S.p.A. is listed on the Milan Stock Exchange. The share capital at 31 December 2018, fully paid up and subscribed, amounted to € 67,979,168.40, divided into 261,458,340 ordinary shares with a par value of € 0.26 each.

The majority shareholder is the holding company Fininvest S.p.A., owned by the Berlusconi family.

## Shareholder base

Shareholder	% Interest of share capital
Fininvest S.p.A.	53.3%
Silchester international investors LLP	12.4%

In 2018, the Group received approximately € 706,000 from the Italian government, Italian and foreign organizations and private individuals, split up as follows: € 309,783 from the ownership of the Segrate offices (Generali Immobiliare Italia Sgr S.p.A. and Generali Real Estate Sgr S.p.A.) in building renovation; € 14,619 in training grants and € 381,678 in grants for publishing projects.

The Group did not receive any other subsidies from entities or organizations connected with governments, or from other entities, associations, NGOs, non-profit organizations or private individuals. The US subsidiary did not receive any contributions or subsidies from the government or private individuals in the 2016-2018 three-year period; the 2018 data for the French subsidiary Mondadori France is not available.

**Grants received**  
(€)

	2018	2017	2016
Scope of continuing operations	706,080	1,233,892	496,400

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

## Freedom of expression

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

Looking at the production of new titles in 2018 (2,930 total new titles, 2,288 titles by all the trade publishing brands, 238 titles by Mondadori Electa, 245 titles by Mondadori Education, and 159 titles by Rizzoli Education), a number of recurring topics are treated in depth as fiction and non-fiction, despite the prevalence of pure entertainment works.

The first topic standing out is migration and its impacts: from Stephen Smith's essay, *Fuga in Europa* (Einaudi), which digs deep into the dynamics and reasons for the mass migration from

Africa to Europe, to *Negro* (published by Piemme), by Francesco Ohazuruike, born Italian of Nigerian origin, who refutes the most obstinate clichés about the presence of non-EU citizens in Italy by crunching the numbers. Without disregarding the tragedy of the phenomenon and its great many implications: the Syria war (with *Dawla*, by Gabriele Del Grande, Mondadori, *A Hope More Powerful than the Sea*, by Melissa Fleming, for Piemme and *Gli impuniti*, by Carla Del Ponte, Sperling & Kupfer), the many forgotten conflicts (*We Are Not Refugees*, by Agus Morales, Einaudi), the dire consequences for children (*Le stelle di Lampedusa*, by Pietro Bartolo, Mondadori), and an analysis of the ideological drifts sparked by the conclusion that no government has a solution to the problems raised by globalization (*Populismo sovrano*, by Stefano Feltri, Einaudi).

A further topic is work-related: starting with Domenico De Masi's look at the past and glimpse into the future (*Il lavoro nel XXI secolo*, Einaudi), to the analysis of the current situation in Italy of the new forms of employment (*Lavoretti* by Riccardo Staglianò, Einaudi and *Italian Job* by Maurizio De Fazio, Sperling & Kupfer), and the neo-Luddite perspective of Francesco Borgonovo in *Fermate le macchine!* (Sperling & Kupfer).

Lastly, much attention is grabbed by the many titles dedicated to extraordinary tales, often little known or completely unknown, that tell of integration, inclusiveness, and the hunger for redemption. A few examples: *Abbiamo toccato le stelle. Storie di campioni che hanno cambiato il*

*mondo*, by Riccardo Gazzaniga (Rizzoli) and *Non sai quanto sei forte* (Mondadori), autobiography by Corporal Monica Contrafatto, who suffered an attack in Afghanistan in 2012, bronze medal at the Paralympics in 2016; *Guerrieri di sogni* (Mondadori), by Viviana Mazza, which gathers 13 true stories of children and teenagers from across the world, who have strongly believed and made their dreams come true, and *Meno male. Storie di piccoli eroi che trasformano il mondo* (Sperling & Kupfer), by Giangiacomo Schiavi; *Manuale per ragazze rivoluzionarie* (Rizzoli) by Giulia Blasi, which recalls and reconsiders the achievements by the feminist movement, and *The Breadwinner* (Rizzoli) by Deborah Ellis and Nora Twomey, a graphic novel inspired by the novel on Parvana and her story of redemption from the Taliban regime in Afghanistan.

Lastly, mention must be made of two titles tied to solidarity and community support initiatives: *Il bicchiere mezzo pieno* (Piemme), a collection of 24 stories of women on the small acts that can change the course of a life. The copyrights of the stories were all donated to the women from Mozambique through Italian cooperation; *Un Capitano* (Rizzoli), autobiography by Francesco Totti with Paolo Condò: on publishing the book (one of the bestsellers in 2018), the Publisher undertook to sponsor the restoration of the 12 statues of the Orti Farnesiani in the Colosseum Park, demonstrating that even popular and entertainment publishing can play a crucial role in society.

## The responsibility of the editorial product

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

Mondadori is well aware of the great responsibility it has also towards its readers and users. For this reason, the Company is committed to providing accurate, meticulous and truthful information in

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

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

In this respect, the initiatives of the monthly magazine for children and teenagers *Focus Junior* continued with the conclusion of the third edition of the *Diventa giornalista* competition, designed to introduce children and teenagers to the world of journalism in a fun and innovative yet accurate and exhaustive way. In May, the magazine took part in *Tecnovita: la tecnologia che nutre il talento*, a special event with free admission organized in Rome in association with *Technotown*, a technological-scientific rec centre under the Person, School and Solidarity Community Department managed by Zètema Progetto Cultura. The initiative encouraged children and teenagers (and their parents) to learn new programming languages, build robots or create digital animations. The activities included a workshop on digital journalism arranged by *Focus Junior*, to experience journalism as a profession in the digital age, from structuring articles to choosing photos, from search engines to the importance of teamwork, and feel impassioned by writing and digital communication. A total of 933 youngsters took part in the 44 different workshops.

## Promotion of culture and reading

Among the initiatives launched to encourage reading, mention should be made of the institutional campaign championed by Mondadori Store, the Mondadori Group’s network of bookstores, instigated by Mr. SaveTheWall with the creative by Action & Branding.

With the claim “There’s life in a book. Yours”, the initiative’s purpose was to enhance the reading experience through the voice and faces of readers. Genuine people are in fact the stars of the campaign, who open up to reveal their feelings, unfiltered, breathing life into their books through their words. During two special shooting sessions at the Mondadori Megastore in via Marghera in Milan, Pierpaolo Perretta, alias Mr. SaveTheWall, an

artist known for his situationist works that reflect issues and customs of today's world, met one hundred people. Each person was asked to bring their favourite book along, revealing deep stories and feelings triggered by reading. Each of them was collected on a video and captured in a portrait photo.

Readers were thus the extraordinary protagonists of an initiative that also has its digital rendition, with the website dedicated to the project [www.condividiunlibro.it](http://www.condividiunlibro.it), which hosts the videos and photos taken by the artist.

Users were invited to take part through posts on Facebook and Instagram with their favorite book and a small catch phrase explaining the reason, using the *#condividiunlibro* hashtag. All the content populated the platform, propagating the sharing of experiences.

In 2018, the Group renewed its presence in the initiative fostered by AIE (Italian Publishers' Association) *#loleggoperché*, the most important national event encouraging reading, now in its fourth edition. The generosity shown by the Italian people, who donated, through the participating bookstores, approximately 200,000 volumes to the libraries of the schools twinned with the bookstores, goes hand in hand with the donations made by the publishers, who contributed another approximately 100,000 books to infancy, primary, first- and second-level secondary schools.

## Brand management

Brand management is a multifaceted issue, representing, on the one hand, a development dimension of the Company's activities and, on the other, an opportunity to tie a property to broader projects, with even greater external impacts. The following are two cases, one for each type: the first saw the Group's most popular women's magazine, *Donna Moderna*, act as mouthpiece of a far-reaching initiative on diversity; the second, which involved *Giallo Zafferano*, is the most striking example of how multimedia expression can be achieved.

In 2018, to celebrate its 30th anniversary, the weekly *Donna Moderna* launched with L'Oréal Paris a female empowerment project: "*Donne come noi*"

(*#donnecomenoio*). The project was divided into three main steps: the publication of the book *Donne come noi*, written by the editors of the magazine for Sperling & Kupfer; a theatrical piece, bearing the same title, produced by *Donna Moderna* in association with Teatro Franco Parenti; and a free training course created by the weekly and held in many Italian cities.

The book holds 100 stories told by 34 journalists on contemporary Italian women achievers and the strength of their determination, skills and courage. From boxer Irma Testa to physicist Fabiola Gianotti, from the *Last Supper* restorer Pinin Brambilla Barcilon to rapper manager Paola Zukar. Compelling stories that encourage women, through achievements and successes, to continue their revolution at home, at work, and in society.

The performance takes up some of the stories told in the book: five female artists on stage sink into the role of the main characters of the book, as well as the journalists who met them, their sisters, friends and teachers. A piano, a cello and an accordion intertwine with the stories.

Lastly, the itinerant training program, with one stage held at the Mondadori Group: the aim is to contribute to women's empowerment by providing participants with so-called soft skills, which are becoming increasingly relevant in candidate selection. The team of trainers was complemented by a number of professionals coming from the business world, who contributed their own stories. After the creation in 2017 of the print version of *Giallo Zafferano* (the leading Italian food website), in 2018 the brand launched its television rendition with *I menu di Giallo Zafferano*, broadcast on Sunday morning on Canale 5 in two seasons (March and September), and expanded the website's features with apps for Google Home, Amazon Alexa and, in 2019, for Bixby, Samsung's voice assistant. All this has made *Giallo Zafferano* the brand in the Food Lifestyle category with the highest reach in Europe in 2018 according to Comscore.

## Education and the school world

Mondadori Education and Rizzoli Education, the Group's school textbooks producers, encourage facilitated, inclusive and collaborative learning in

all the titles in their catalogue through the select use of graphic layouts and specific methods to help students develop effective study methods and build their skills.

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

In 2018 the platform was enhanced by two new solutions: HUB test, designed for teachers to prepare tests and for students to practice, and HUB Smart, the app to use digital content directly on mobile devices.

Most of the books in the Mondadori Education catalogue are available for reproduction for blind or visually impaired students or those with particular learning disabilities.

Thanks to the agreements signed by Mondadori Education with the relevant associations ("Regina Margherita" Non-Profit Italian Library for the Blind and the Digital Library of the Italian Dyslexia Association), Braille or "talking" versions (digital or on CDROM) of the books can be requested.

## Relations with users

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

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

In 2018, the Mondadori Group reshaped its digital communication strategy, enhancing the identity of each channel to build an integrated and coherent corporate communication environment. To this end, the Group drew up a specific editorial plan for each social network, addressing ad-hoc communication goals:

- on LinkedIn, corporate news takes centre stage, sharing content regarding our business areas (books, news, events) related to the work, communication and professional training worlds;
- on Facebook, the Mondadori Group offers a full picture of itself, with a multimedia approach (videos, photos) that gives the audience an inside, "behind the scenes" look at our activities;
- on Twitter, space is afforded to our brands (as well as to corporate content), sharing their content and publishing news from each business area, giving stakeholders an idea of the heterogeneous and multiple activities taking place inside the Group;
- Instagram, instead, shows how life goes on inside the Company through the faces (and stories) of its people (employees, associates, writers, partners), also using Stories to give a more immediate and natural picture;
- on YouTube, a video library is currently in the making for those who seek content on the Mondadori universe, from onset up to the present day, offering a look at the special projects regarding the Group and its brands.

The Mondadori Group has a total of 130 social profiles (most of them linked to individual product brands), for a total of 26.3 million fans: every second, 300 new users visit a Mondadori Group site and 14 people engage on the social pages of the brands.

Einaudi's case is an outstanding example. In 2018, in addition to its Twitter account, online since 2009, the Publisher created an Instagram account and a Facebook page. While maintaining the strategic unity of the core targets, such as selecting titles and important topics and maintaining the Publisher's image, it works in different ways on the three channels: on Twitter, it values the sharing of views, the witty references and, at times, the playful aspect; on the Instagram feed, the focus is on creating a distinctive style of the account, while in the Stories, the attention is turned more to the sharing of press clippings and presentations, together with the special launch of some titles; on Facebook, the page maintains a more institutional profile.

Additionally, the Publisher's website was fully revamped in 2018, focusing on the mobile version and the internal search engine.

Success continues for *Biancamano2*, the blog dedicated to foreign fiction and Frontiere Einaudi titles, and for *Lo Struzzo a scuola*, created to engage students and teachers, offering them pointers and suggestions on reading and reflecting.

In 2018, Einaudi's social accounts, in particular Twitter, and Facebook and Instagram from October, often embraced issues related to social and environmental sustainability, tying them to books released in the year by the Publisher. Specifically, the release of *We Are Not Refugees* by Agus Morales, a report on migration flows, gave the Twitter account the opportunity to voice its say with quotations from the book on the many times the topic was discussed on social media. Another much quoted and exploited title to push through the issues of climate change on social media was *Non c'è più tempo* by the popular weatherman Luca Mercalli.

This year's most impactful tweet, echoed on our Facebook account, was when the Publisher sided with author Michela Murgia, smeared and intimidated on social media for *Fascistometro*, published online on the Einaudi and *Espresso* websites, an ironic test to measure the level of fascism in us, drawn from her book published by Einaudi *Istruzioni per diventare fascisti*. The tweet, read by 180,000 users with 7,000 interactions, went like this: "The Publisher stands by @kelleddamurgia: the smears and intimidations on our author for her book speak for themselves. Violence for the sake

of being violent is something you should never get used to, thought should always be free and complex. #IstruzioniPerDiventareFascisti".

## Privacy protection

The protection of privacy and personal data is a material topic for the Group and a matter of constant focus in company processes and in updating internal policies. In pursuing its business, the Mondadori Group as a whole has adopted a series of tools and internal procedures to ensure full compliance with Regulation (EU) 2016/679 ("GDPR"), with Legislative Decree 196/03 ("Data Protection Code") as recently amended by Legislative Decree 101/2018, as well as with the indications and provisions issued by the Data Protection Authority.

Mondadori publishes, and constantly updates, its privacy, personal data processing, and cookies policies on all Group websites.

Following the important process of alignment with the GDPR launched in 2017, the Group has developed a series of procedures to govern the management and processing of personal data and, in particular, of data retention, privacy by design or by default, data protection impact assessment, data breach, feedback to data subjects and the appointment of external data processors. These procedures were developed in parallel with a complete overhaul of the information provided to data subjects and of the contract templates, with the indication of the new specific regulations and details of the new corporate figure of Data Protection Officer, as identified and formalized on 14 March 2018 by the Board of Directors of the Parent Company.

Noteworthy points in the process of aligning with the GDPR also included:

- the formalization of two important co-ownership agreements, the first involving all Group companies in the management of HR, CRM, marketing and profiling activities; the second involving Mondadori Education and Rizzoli Education in the joint management of certain business activities and web platforms;
- the adoption of a computerized data processing register for each company, to enable data

controllers and the DPO unit to constantly watch over all processing activities carried out by the Group;

- the performance of accurate DPIAs, personal data impact assessments on specific processing activities where risks may arise;
- the adoption of new security measures aimed at preventing the loss of personal data and any data breaches and data incidents.

In 2018, 4 complaints were filed with the Data Protection Authority by external parties (customers) against a number of Group companies; the brief cross-examination that followed by the Authority led to a decision not to proceed. No instances of data loss occurred over the three years.

#### Scope of continuing operations

Source of complaints (no.)	2018	2017	2016
Control bodies	-	-	-
External persons	4	-	-
<b>Total</b>	<b>4</b>	<b>-</b>	<b>-</b>

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Specifically, no complaints were reported in the three-year period regarding privacy or data loss for Rizzoli International Publications. Mondadori France receives a much higher number of complaints from high-profile public figures and

show business celebrities alleging infringement of their privacy and image rights by its magazine. The table hereafter shows the number of complaints filed in the period 2016-2018.

## Mondadori France

Source of complaints	2018	2017	2016
Control bodies	-	-	-
External persons	74	81	92
<b>Total</b>	<b>74</b>	<b>81</b>	<b>92</b>

Specifically, in 2018 three cases involved the magazine *TéléStar*, one *Nous Deux* and *70 Closer*. No instances of data loss occurred over the three years.

## Penalties

The amount of penalties paid in 2018, down over the three-year period, include € 32 thousand in tax penalties (IRAP assessments for Einaudi for 2012-2015) and approximately € 234 thousand in economic penalties following sentences.

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## Scope of continuing operations

Monetary penalties - Type (Euro/millions)	2018	2017	2016
Tax penalties	0.03	0.03	0.08
Economic penalties	0.23	0.73	0.97
<b>Total</b>	<b>0.26</b>	<b>0.76</b>	<b>1.05</b>

As for Rizzoli International Publications, the company did not incur any economic or non-monetary penalties during the three-year period.

In order to provide greater transparency to

stakeholders, the Group developed an archive relating to non-monetary penalties at the beginning of 2012. Examples of non-monetary penalties include the publication of rulings. In 2018 only one case was reported.

## Scope of continuing operations

Non-monetary penalties	2018	2017	2016
Number of cases	1	2	3

In France too, both monetary and non-monetary penalties are decreasing.

#### Mondadori France

<b>Monetary penalties - Type</b> (Euro/millions)	<b>2018</b>	<b>2017</b>	<b>2016</b>
Tax penalties	-	-	-
Economic penalties	0.37	0.63	0.91
<b>Total</b>	<b>0.37</b>	<b>0.63</b>	<b>0.91</b>

#### Mondadori France

<b>Non-monetary penalties</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Number of cases	1	4	12

### Combating corruption and bribery

As stated on pp. 86–87, the Organization, Management and Control Model and the rules of conduct of the Model – in the various versions prepared for the different companies, all of which are constantly updated – together represent a reasonably effective system of defence in the fight against corruption in all the businesses and sectors of the Group.

As concerns 2018, and generally over the period 2016–2018, no cases of corruption or bribery involving employees or suppliers in Italy were found to have occurred, and no legal action was initiated or pending against the Group or its employees for alleged corruption in Italy. In relation to Mondadori France, one case was reported in 2017, which was promptly intercepted and the employee involved was given a warning.

Similarly, no legal action was initiated or pending over the period 2016–2018 against the Mondadori Group for alleged collusive practices or infringements of antitrust and anti-monopoly law.

Alongside the constant updating of the Organization, Management and Control Model to include new offences of relevance for the Company's business model and work to adapt the Model in the light of legislative reforms and to each individual company belonging to the Group, employees are provided training to ensure they effectively understand the Company's rules and regulations. In 2019, the Group has planned updates for its staff on the whistleblowing policy (in accordance with Italian Law 179/2017 (Provisions for the protection of persons reporting crimes or irregularities learned in the course of their public or private employment), developed in 2018 and approved in first half 2019, and to the new anti-corruption policy (currently being drafted).

### HUMAN RESOURCES

Transformations in the sectors in which the Mondadori Group operates, together with changes within the Company, in both organizational and business terms, see us focus close attention on our human resources with the aim of developing the skills and expertise of both individuals and the Group, also through ongoing training that takes account of the new requirements of the business.

## Employees

Group employees at 31 December were split up as follows by geographical area:

Employees (no.)	2018	2017	2016
Italy	2,083	2,228	2,411
USA	49	47	48
<b>Scope of continuing operations</b>	<b>2,132</b>	<b>2,275</b>	<b>2,459</b>
France	743	751	802
<b>Total</b>	<b>2,875</b>	<b>3,026</b>	<b>3,261</b>

In addition to the employee headcount, figures are also provided, for Italy, of the average number of temporary workers for the year, divided by business area (temporary worker numbers show seasonal trends, in particular as concerns retail and the Christmas season); and for Mondadori France,

of the average number of freelance workers (or *pigistes*, the majority of whom journalists). Data on freelancers and temps for Rizzoli International Publications are not available for the three-year period under review, but will be from 2019.

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Italy	2018	2017	2016
<b>Temps (no.)</b>			
Headquarters	14	18	15
Books	33	38	47
Magazines	29	39	46
Retail	84	82	84
<b>Total</b>	<b>160</b>	<b>177</b>	<b>192</b>

Mondadori France	2018	2017	2016
<b>Pigistes (no.)</b>			
<b>Total</b>	<b>371</b>	<b>386</b>	<b>378</b>

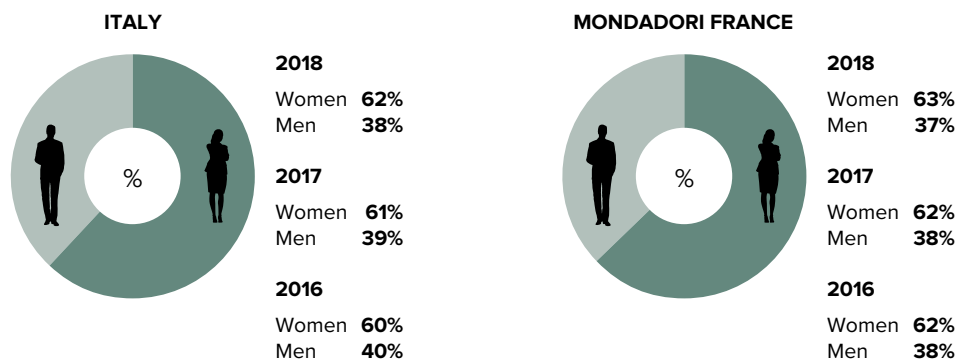
Hirings and terminations Italy		2018		2017		2016	
Gender	Age	Number	%	Number	%	Number	%
		HIRINGS					
Women	< 30 years	23	20%	19	17%	14	18%
	30–50 years	39	35%	50	46%	37	49%
	> 50 years	2	2%	2	2%	1	1%
Total women		64	57%	71	65%	52	68%
Men	< 30 years	12	11%	9	8%	8	11%
	30–50 years	31	28%	26	24%	15	20%
	> 50 years	5	4%	3	3%	1	1%
Total men		48	43%	38	35%	24	32%
Total hirings		112	100%	109	100%	76	100%
Turnover rate (new employees)		5.38%		4.89%		3.15%	
		TERMINATIONS					
Women	< 30 years	9	3%	15	5%	14	5%
	30–50 years	84	33%	87	30%	117	45%
	> 50 years	52	20%	48	16%	44	17%
Total women		145	56%	150	51%	175	67%
Men	< 30 years	1	1%	2	1%	3	1%
	30–50 years	60	23%	76	26%	64	25%
	> 50 years	51	20%	64	22%	19	7%
Total men		112	44%	142	49%	86	33%
Total terminations		257	100%	292	100%	261	100%
Turnover rate (leaving employees)		12.34%		13.11%		10.83%	

Hirings and terminations USA			2018	
Gender	Age		Number	%
<b>HIRINGS</b>				
Women	< 30 years		4	50%
	30–50 years		2	25%
	> 50 years		-	-
<b>Total women</b>			<b>6</b>	<b>75%</b>
Men	< 30 years		-	-
	30–50 years		2	25%
	> 50 years		-	-
<b>Total men</b>			<b>2</b>	<b>25%</b>
<b>Total hirings</b>			<b>8</b>	<b>100%</b>
<b>Turnover rate (new employees)</b>				<b>16.33%</b>
<b>TERMINATIONS</b>				
Women	< 30 years		2	33%
	30–50 years		4	67%
	> 50 years		-	-
<b>Total women</b>			<b>6</b>	<b>100%</b>
Men	< 30 years		-	-
	30–50 years		-	-
	> 50 years		-	-
<b>Total men</b>			<b>-</b>	<b>-</b>
<b>Total terminations</b>			<b>6</b>	<b>100%</b>
<b>Turnover rate (leaving employees)</b>				<b>12.24%</b>

Hirings and terminations Mondadori France*		2018		2017		2016	
Gender	Age	Number	%	Number	%	Number	%
		HIRINGS					
Women	< 30 years	6	25%	5	16%	6	22%
	30–50 years	7	29%	7	23%	13	48%
	> 50 years	-	-	5	16%	1	4%
Total women		13	54%	17	55%	20	74%
Men	< 30 years	4	17%	4	13%	4	15%
	30–50 years	6	25%	8	26%	3	11%
	> 50 years	1	4%	2	6%	-	-
Total men		11	46%	14	45%	27	6%
Total hirings		24	100%	31	100%	27	100%
Turnover rate (new employees)		3.23%		4.13%		3.37%	
		TERMINATIONS					
Women	< 30 years	2	4%	3	5%	1	1%
	30–50 years	14	29%	21	32%	30	45%
	> 50 years	10	21%	18	28%	18	27%
Total women		26	54%	42	65%	49	73%
Men	< 30 years	1	2%	1	2%	3	4%
	30–50 years	14	29%	16	25%	8	12%
	> 50 years	7	15%	6	9%	7	10%
Total men		22	46%	23	35%	18	27%
Total terminations		48	100%	65	100%	67	100%
Turnover rate (leaving employees)		6.46%		8.66%		8.35%	

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

The following tables show the percentage breakdown of the workforce by gender, age, area of activity, qualification and type of contract over the three-year period.



## Workforce by gender

### Scope of continuing operations

2018		2017		2016	
Women	Men	Women	Men	Women	Men
62%	38%	61%	39%	60%	40%

### Mondadori France

2018		2017		2016	
Women	Men	Women	Men	Women	Men
63%	37%	62%	38%	62%	38%

## Workforce by age

### Scope of continuing operations

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
< 30	2%	56%	44%	2%	70%	30%	2%	67%	33%
30-50	62%	63%	37%	65%	62%	38%	68%	61%	39%
> 50	36%	60%	40%	33%	59%	41%	30%	58%	42%

### Mondadori France

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
< 30	4%	65%	35%	3%	72%	28%	7%	66%	34%
30-50	53%	65%	35%	56%	63%	37%	65%	62%	38%
> 50	43%	60%	40%	40%	61%	39%	28%	63%	37%

## Workforce by business area

### Scope of continuing operations

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Corporate	19%	51%	49%	20%	52%	48%	15%	51%	49%
Books	31%	69%	31%	28%	69%	31%	33%	64%	36%
Retail	18%	59%	41%	18%	59%	41%	19%	58%	42%
Magazines	32%	63%	37%	33%	62%	38%	24%	67%	33%
Digital	-	-	-	-	-	-	9%	48%	52%

As of 2017, Digital Italy personnel have been redistributed to Magazines, for the most part, and to Corporate (shared services). The 2017 and 2016 data have been restated versus those published in the previous NFS for their inclusion in the scope of employees of Rizzoli International Publications (in the Books business). For previously published data, please refer to the 2017 NFS published on <http://www.mondadori.it/>

### Mondadori France

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Corporate	25%	59%	41%	25%	58%	42%	25%	59%	41%
Magazines	58%	61%	39%	57%	61%	39%	57%	62%	38%
Digital	4%	62%	38%	4%	60%	40%	5%	50%	50%
Advertising	13%	77%	23%	14%	76%	24%	13%	75%	25%

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## Workforce by employment level, gender and age

### Italy

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Executives	4%	22%	78%	5%	23%	77%	4%	25%	75%
Middle managers	13%	53%	47%	13%	53%	47%	13%	53%	47%
Office workers	71%	65%	35%	69%	64%	36%	66%	64%	36%
Journalists	11%	74%	26%	13%	71%	29%	13%	70%	30%
Workers	1%	15%	85%	0.01%	21%	79%	4%	28%	72%

### Italy

	2018				2017			
	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years
Executives	4%	0%	47%	53%	5%	0%	50%	50%
Middle managers	13%	0%	55%	45%	13%	0%	60%	39%
Office workers	71%	3%	68%	29%	69%	3%	72%	26%
Journalists	11%	0%	39%	61%	13%	0%	44%	56%
Workers	1%	0%	54%	46%	0.01%	0%	64%	36%

# USA

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Executives	6%	33%	67%	28%	31%	69%	27%	31%	69%
Office workers	94%	52%	48%	72%	62%	38%	73%	66%	34%

# USA

	2018			
	Total	<30 years	30-50 years	>50 years
Executives	6%	0%	0%	100%
Office workers	94%	17%	48%	35%

# Mondadori France

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Cadres	38%	67%	33%	39%	66%	34%	38%	64%	36%
Employés	11%	76%	24%	11%	77%	23%	12%	76%	24%
Journalistes	51%	57%	43%	50%	57%	43%	50%	58%	42%

# Mondadori France

	2018				2017			
	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years
Cadres	38%	5%	56%	39%	39%	3%	59%	37%
Employés	11%	6%	43%	51%	11%	6%	54%	40%
Journalistes	51%	2%	54%	45%	50%	3%	54%	43%

## Personnel by type of contract and geographical area

### Italy

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent <sup>1</sup>	99%	62%	38%	99%	61%	39%	99%	60%	40%
Fixed-term	1%	67%	33%	1%	76%	24%	1%	75%	25%

<sup>1</sup> including apprenticeship contracts (in Italy)

### USA

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent	100%	51%	49%	100%	53%	47%	100%	56%	44%
Fixed-term	0%	0%	0%	0%	0%	0%	0%	0%	0%

### France

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent	95%	62%	38%	97.1%	62%	38%	95.9%	62%	38%
Fixed-term	5%	79%	21%	2.9%	86%	14%	4.1%	79%	21%

## Personnel by type of professional (full time / part time)

### Scope of continuing operations

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Full time	88%	58%	42%	88%	58%	42%	88%	57%	43%
Part time	12%	85%	15%	12%	85%	15%	12%	84%	16%

### Mondadori France

	2018			2017			2016		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Full time	94%	62%	38%	95%	61%	39%	94%	61%	39%
Part time	6%	79%	21%	5%	82%	18%	6%	83%	17%

All Group employees are entitled to take parental leave, irrespective of type of contract.

Almost 5% of employees in the scope of continuing operations took **parental leave** (mostly women, at 96%), while in France almost 3% took parental leave (mostly women, 55%).

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### Scope of continuing operations

	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees entitled to parental leave <sup>1</sup> (no.)	1,315	817	2,132	1,394	881	2,275	1,476	983	2,459
Employees who took parental leave (no.)	98	4	102	93	4	97	106	4	110
Employees returning to work after parental leave (no.)	86	4	90	93	4	97	99	3	102
% returning after parental leave	88%	100%	88%	100%	100%	100%	93%	75%	93%

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

## Mondadori France

	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees entitled to parental leave <sup>1</sup> (no.)	467	276	743	469	282	751	500	302	802
Employees who took parental leave (no.)	11	9	20	7	11	18	25	4	29
Employees returning to work after parental leave (no.)	10	9	19	7	9	16	24	4	28
% returning after parental leave	91%	100%	95%	100%	82%	89%	96%	100%	97%

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

## An inclusive company

Publishing has traditionally been an industry in Italy with a heavy presence of women in the general workforce. This presence is not always accompanied by true gender equality in top positions and remuneration. There is growing attention in the Mondadori Group to the different issues tied to the notion of diversity, as demonstrated for instance by the increased presence of women in governance bodies. This translates into careful monitoring of any occurrence of discrimination, in efforts to increase gender equality, and the enhancement of diversity - of any diversity - as a potential enrichment and renewal of the Company.

Aside of the details on the percentages of women and men appearing in the above tables and in the section on training, the following are data on diversity in the Board of Directors, the ratio expressed in percentage of women's remuneration to men's remuneration by position in Italy and France (data on Rizzoli International Publications are unavailable), the percentages of staff with disabilities in Italy (there are no employees with disabilities in the United States) and France, and the gender distribution of top positions in magazines in Italy.

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## Board of Directors

	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
< 30 years	-	-	-	-	-	-	-	-	-
30-50 years	1	1	2	1	1	2	1	1	2
> 50 years	4	8	12	2	10	12	2	10	12
<b>Total</b>	<b>36%</b>	<b>64%</b>	<b>14</b>	<b>21%</b>	<b>79%</b>	<b>14</b>	<b>21%</b>	<b>79%</b>	<b>14</b>

## Remuneration

Italy	2018	2017	2016
Executives	73%	73%	68%
Middle managers	91%	90%	89%
Office workers	92%	92%	92%
Journalists	80%	75%	76%
Workers	48%	61%	90%

Remuneration considers the theoretical annual salary gross of any bonuses or benefits associated with the specific classification of employees at 31 December. Additionally, female employees in the "blue-collars" category are all "part-time"

Mondadori France	2018	2017	2016
Cadres	82%	84%	84%
Employés	100%	101%	99%
Journalistes	91%	92%	90%

## Employees with disabilities

Italy	2018			2017			2016		
	% of total employees with disabilities	% women	% men	% of total employees with disabilities	% women	% men	% of total employees with disabilities	% women	% men
Middle managers	6%	60%	40%	5%	40%	60%	4%	40%	60%
Office workers	85%	47%	53%	86%	50%	50%	79%	47%	53%
Journalists	2%	100%	-	2%	100%	-	2%	100%	-
Workers	7%	33%	67%	7%	43%	57%	15%	33%	67%
	% of total employees	% women	% men	% of total employees	% women	% men	% of total employees	% women	% men
	4%	48%	52%	4%	50%	50%	5%	46%	54%

Mondadori France	2018			2017			2016		
	% of total employees with disabilities	% women	% men	% of total employees with disabilities	% women	% men	% of total employees with disabilities	% women	% men
Cadres	25%	-	100%	10%	-	100%	9%	-	100%
Employés	13%	-	100%	30%	-	100%	27%	-	10%
Journalistes	62%	40%	60%	60%	50%	50%	64%	57%	43%
	% of total employees	% women	% men	% of total employees	% women	% men	% of total employees	% women	% men
	1%	25%	75%	1%	30%	70%	1%	36%	64%

## Italian magazines

### Top positions

	2018	
	Women	Men
Directors	57%	43%
Deputy directors	60%	40%

## Organizational development

In line with the plan to focus on the core businesses launched in prior years and in light of the continuing downturn of the magazines market in Italy, in 2018 the Group sold the subsidiary Inthera (active in content data marketing) and the weekly *Panorama*. Regarding operations in the French magazines business, talks are currently underway for the disposal of Mondadori France to Reworld Media, a company listed on the Paris Stock Exchange, digital leader with an international bent (on completing this document, a put option was signed with a view to the disposal plan, and the company is currently in talks with the trade-union representatives).

A new Group-wide integrated business process management system was adopted (in full swing from January 2019): the new S/4 Hana, world leading system in the field. A decision to adapt and standardize, on the basis of best practices, business processes that embrace administration, finance and control, and to upgrade the software and management applications used.

On the HR front, the Department has adopted a new information system - the HR Portal - where each employee can independently manage their relationship with HR administration, from planning and requesting holiday time to updating their information; in 2019, new features will be added for staff training and development.

## Industrial relations

All of the Group's companies and employees are covered by union representatives: their relations with the company are characterized by constant and open dialogue that takes place through frequent meetings on specific issues and annual institutional events.

An agreement was reached in 2018 by the Company and union representatives on a reduction of the remuneration package for *Tustyle* and *Confidenze* journalists from 1 July 2018, consistent with the structural decline of the market, and on the application of a solidarity contract for journalists from the other publications in the Magazines Italy Area, in force until 31 December 2018.

In line with the outlined strategies and business goals set - focus on brands with multi-channel development potential - the Company and the trade unions have underwritten their commitment to make the cost structure and the organization of the work of Magazines Italy consistent with market trends by the end of the year, in order to safeguard sustainability.

The new supplementary agreement involving staff under the graphics publishing collective labour contract, in force since 1 January 2019, was then signed. The agreement represents a groundbreaking model in the publishing industry, one that puts people at centre stage, recognizing the strong value of human resources, the most important capital for a company, in a cultural approach that moves away from the traditional schemes to embrace models based on worker performance and responsibility.

The trade unions and the Company have shared the need to draw up a single contract covering all the staff under the graphics publishing collective labour contract of the various Mondadori Group companies, streamlining and harmonizing the former treatments.

The agreement also aims to modernize and test a different work approach, starting with a model of industrial relations that promotes bilateral discussions on pivotal issues related to company-worker relations.

In the overall framework of the attention to the needs of human resources, the parties have shared the view that greater staff empowerment, including through self-management of working hours and a fair balance between work and individual needs, leads to greater satisfaction and increased work quality.

Additionally, the agreement introduces the testing of effective tools to help work-life balance, such as smart working and family support measures, with the aim of providing better conditions to combine work and family needs.

A few location changes were made in 2018 involving Milan and Segrate: Mondadori Education, Rizzoli Education, Mondadori Electa and Mondadori Scienza relocated from their offices in via Battistotti Sassi to Milan, the first two on via Rivoltana - Segrate Hub 3, the last two to Palazzo Niemeyer - Segrate Hub 1, while the Digital Magazines Area moved from

via San Marco to Cascina Tregarezzo (Segrate Hub 2), Milan.

The minimum notice periods required by the applicable collective bargaining agreements (30 days for graphics-publishing and 70 days for sales) were respected in all cases of the transfer of business units and/or organizational change, with negotiations launched several months in advance.

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

All employees in Italy and in France are covered by **collective bargaining agreements**. In the United States, sectoral trade union agreements are not as common as in Europe; the general protection provided by federal laws obviously applies to all workers.

## Training and development

The table shows the number of training hours delivered and the number of participants over the three years in the scope of continuing operations and in Mondadori France (no training was organized for the employees of Rizzoli International Publications).

Hours delivered (no.)	2018	2017	2016	Participants (no.)	2018	2017	2016
Total	21,397	14,550	20,160	Total	1,511	1,026	1,570

The training programs in Italy adopt an innovative, distinctive and business-oriented approach to provide the necessary skills and tools to effectively cope with internal and external challenges. The common thread that binds the courses delivered to the Mondadori Group employees in Italy is to encourage integration between the different areas of the Company, to engender greater efficiency

and synergies and develop skills and attitudes that are consistent with the Company's goals and strategies, through ongoing comparison between skills acquired and skills required in the Company's evolutionary needs.

In 2018, in addition to the existing training programs that were re-run and updated for instance with

**Academy giornalisti** (23 courses, 13 of which new proposals in the year, organized in 5 theme areas for the retraining of journalists: Digital Editing & Writing, Multimedia publishing & data visualization, Social media communication & Community Management, Magazine Management, foreign languages) and with **Academy Retail** (a course tailored to 40 franchisees to support the development of direct and indirect sales networks and of multi-channels, in addition to supporting the onboarding process of new franchisees), a further 8 new training programs were introduced for a total of over 10,000 hours of specialist-managerial training:

- **Digital academy:** a training course for 48 marketing specialists, which addressed the main levers of digital marketing through face-to-face lectures and operational sessions where theory and practice intertwine, implementing tools and techniques on projects/activities of each area involved.
- **HR academy:** a 5-day training course for 21 resources from the Group's HR and Organization Department, to encourage a rethinking of the HR role at Mondadori, enabling the function to become a strategic player for the Company and a driver of change. The issues addressed include the key technical-professional skills to reshape Group HR processes and practices, and behavioural and methodological skills that enable management to lead change and innovation projects.
- **Academy Editor:** a modular course that uses both external and in-house trainers to develop soft skills such as communication skills, distinctive professional skills, and technical skills relating to the book production chain and its tools: from acquisition to creative publishing, and from economics to sales management. The first two days of the course were delivered, and another 7 modules will be added next year.
- **Academy Retail:** aside of the franchisees course, a 2-day course for 28 middle managers from Retail was created in 2018 to encourage the development of soft skills that are crucial in managing change, and an empathetic approach to inter-personal relations in order to improve the satisfaction of customer needs (both internal and external).
- **Change Agent path:** training to support the empowerment and impact of the 56 Change Agents in the change process brought about

by the adoption of the SAP/4 Hana integrated business process management system.

- **Google Analytics course for Marketing Specialists (basic and advanced):** two-day course (both basic and advanced) for 64 marketing specialists from the different business units, to provide knowledge, tools and practices to understand how Google Analytics works and to use it for their own work needs.
- **Lean Six Sigma path (Green and Black Belt certification):** the program was intended to spread across the Group the culture and aptitude for continuous improvement in the management of business processes to motivate, promote and facilitate development and innovation, maximizing the effectiveness and efficiency of recurring tasks. The course, addressed to 12 resources from the different business units, embraced both Lean Management (an approach for creating an efficient process by eliminating activities that add no value for the customer, both internal and external) and Six Sigma (approach aimed at improving business processes) issues.
- **LeaderMe path:** management training program addressed to 45 managers to develop personal effectiveness through the empowerment of each individual on their own growth path. The program is split up into 3 training modules that provide tools and techniques to play a management role effectively: being a manager, with particular focus on defining roles and goals and on the delegation process; people management, dedicated to the relations between motivation, skills and performance, with particular focus on knowing how to give feedback and being a manager coach; team management: related to the 3 areas of the leadership model addressed in the previous modules, is dedicated to informed reading of conflict/cooperation dynamics within the company, in inter-functional/process relations, in work teams.

Alongside the Academy training plan, other courses focused on language training (over 1,000 hours delivered) and workplace safety, delivered both in classroom and e-learning format. During the year, the updates to the specific training received in the classroom (more than 1,000 hours delivered) involved emergency management personnel (fire-fighting and first aid), supervisors, workers' safety

representatives and the heads of the prevention and protection service, while safety training (general and specific) provided in e-learning mode involved

a hundred people including employees, temps and interns.

## Training Italy

Hours delivered (no.)	2018	2017	2016	Participants (no.)	2018	2017	2016
<b>Ad hoc training</b>	<b>11,786</b>	<b>5,057</b>	<b>7,858</b>	<b>Ad hoc training</b>	<b>866</b>	<b>226</b>	<b>409</b>
Executives	2,017	4	271	Executives	42	1	63
Middle managers	2,838	-	495	Middle managers	132	-	90
Office workers	5,373	160	732	Office workers	566	40	80
Journalists	1,558	4,893	6,360	Journalists	126	185	176
% women	56%	76%	72%	% women	67%	78%	73%
% men	44%	24%	28%	% men	33%	22%	27%
<b>Language courses</b>	<b>1,042</b>	<b>600</b>	<b>2,380</b>	<b>Language courses</b>	<b>40</b>	<b>20</b>	<b>62</b>
Executives	354	450	930	Executives	13	15	31
Middle managers	66	120	90	Middle managers	4	4	3
Office workers	20	30	60	Office workers	1	1	2
Journalists	602	-	1,300	Journalists	22	-	26
% women	65%	35%	60%	% women	68%	35%	56%
% men	35%	65%	40%	% men	32%	65%	44%
<b>Safety training</b>	<b>1,495</b>	<b>2,361</b>	<b>2,118</b>	<b>Safety training</b>	<b>224</b>	<b>375</b>	<b>379</b>
Executives	-	72	20	Executives	-	7	n.d.
Middle managers	84	148	98	Middle managers	14	19	n.d.
Office workers	1,351	2,141	1,484	Office workers	202	349	n.d.
Journalists	40	-	4	Journalists	5	-	n.d.
Workers	20	-	512	Workers	3	-	n.d.
% women	51%	59%	47%	% women	53%	58%	50%
% men	49%	41%	53%	% men	47%	42%	50%
<b>Total hours of training delivered</b>	<b>14,323</b>	<b>8,018</b>	<b>12,356</b>	<b>Total participants</b>	<b>1,130</b>	<b>621</b>	<b>850</b>
Executives	2,371	526	1,221	Executives	55	23	n.d.
Middle managers	2,988	268	683	Middle managers	150	23	n.d.
Office workers	6,744	2,331	2,276	Office workers	769	390	n.d.
Journalists	2,200	4,893	7,664	Journalists	153	185	n.d.
Workers	20	-	512	Workers	3	-	n.d.
% women	56%	68%	n.d.	% women	65%	65%	n.d.
% men	44%	32%	n.d.	% men	35%	35%	n.d.

Average training hours per capita (no.)	2018	2017	2016
<b>Total</b>	<b>6.88</b>	<b>3.60</b>	<b>5.12</b>
Women	6.23	3.99	n.d.
Men	7.92	2.98	n.d.
Executives	24.44	5.21	n.d.
Middle managers	11.03	0.90	n.d.
Office workers	4.58	1.52	n.d.
Journalists	9.61	17.48	n.d.
Workers	1.54	-	n.d.

Among the programs covering development, skill improvement and assistance in the transition in changing business characteristics, following the mapping of HR Business Partners skills launched in 2017 with the identification of key corporate positions, in 2018, 22 professional families and a job description model were defined (role mission, typical activities, technical and distinctive role skills). The project resulted in the mapping of 67 key positions in the different Business Units. Two additional assessment processes were also carried out in 2018.

*Skill/potential assessment of 41 managers (N-2):* interviews and simulations conducted by specialists identified a pool of key people; an analysis was additionally carried out on succession gaps, defining the relating action plans. The skills measured are those of the Mondadori skills model established, taking account of the Group's new and necessary challenges to enable the transformation and innovation process required. The Assessment Manager process will continue at level N-3 in 2019.

*Group and online assessments of administrative and accounting offices:* 33 administrative staff were involved in activities partly individual and partly

group, with the aim of performing an assessment of role skills and individual characteristics, in order to map the level of potential vis-à-vis the more complex roles. Each person was given indications regarding strengths, areas of improvement and development.

Regarding the formal assessment of employees, the Performance Management tool used in the past was considered no longer suitable (as early as in 2017). 2018 marked the start of the creation of a Job System to define professional families and the related roles and skills on which to build a performance management process, starting in 2019.

Training programmes at Mondadori France are organized into three groups (ad hoc professional, language, and workplace safety), with plans lasting two or three years. In 2018, training courses were launched for the 2018-2019 two-year period in digital marketing, management (for those who take on new management roles in the period), advertising storytelling, use of Photoshop and compliance with GDPR. Additionally, the English-Italian language skills development plan continued.

## Training Mondadori France

Hours delivered (no.)	2018	2017	2016	Participants (no.)	2018	2017	2016
<b>Ad hoc training</b>	<b>5,868</b>	<b>4,934</b>	<b>6,644</b>	<b>Ad hoc training</b>	<b>302</b>	<b>328</b>	<b>568</b>
Cadres	3,467	2,691	4,572	Cadres	210	146	257
Employés	562	204	605	Employés	29	14	62
Journalistes	1,839	2,039	1,467	Journalistes	63	168	249
% hours delivered to women	74%	67%	71%	% women	67%	66%	69%
% hours delivered to men	26%	33%	29%	% men	33%	31%	34%
<b>Language courses</b>	<b>1,034</b>	<b>1,283</b>	<b>246</b>	<b>Language courses</b>	<b>54</b>	<b>47</b>	<b>17</b>
Cadres	871	865	165	Cadres	41	34	12
Employés	54	205	65	Employés	5	4	2
Journalistes	109	214	16	Journalistes	8	9	3
% hours delivered to women	75%	79%	59%	% women	78%	74%	71%
% hours delivered to men	25%	21%	41%	% men	22%	26%	29%
<b>Safety training</b>	<b>172</b>	<b>315</b>	<b>914</b>	<b>Safety training</b>	<b>25</b>	<b>30</b>	<b>135</b>
Cadres	77	124	319	Cadres	11	14	56
Employés	21	55	222	Employés	3	4	33
Journalistes	74	136	373	Journalistes	11	12	46
% hours delivered to women	63%	54%	64%	% women	64%	60%	62%
% hours delivered to men	37%	46%	36%	% men	36%	40%	38%
<b>Total hours of training delivered</b>	<b>7,074</b>	<b>6,532</b>	<b>7,804</b>	<b>Total participants</b>	<b>381</b>	<b>405</b>	<b>720</b>
Cadres	4,415	3,679	5,056	Cadres	262	194	325
Employés	637	464	892	Employés	37	22	97
Journalistes	2,022	2,389	1,856	Journalistes	82	189	298
% hours delivered to women	74%	69%	69%	% women	69%	66%	68%
% hours delivered to men	26%	31%	31%	% men	31%	34%	33%

Average training hours per capita (no.)	2018	2017	2016
<b>Total</b>	<b>9.52</b>	<b>8.70</b>	<b>9.73</b>
Women	11.23	9.56	10.83
Men	6.63	7.27	7.91
Cadres	15.60	12.69	16.63
Employés	8.06	5.59	9.20
Journalistes	5.31	6.32	4.63

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

As regards job mobility opportunities, strictly voluntary, a space was developed for the management of expertise-mobility. Overseen by the Human Resources Department and special external

consultants, its aim is to support employees in the transfer process, whether within or outside the Company: interviews to assess skills and professional prospects, the drafting of personalized career plans, first refusal on vacancies at Mondadori, and certificates attesting to the skills acquired are all tools designed to assist the worker until they take up their new role.

Programmes for human resources development, both in relation to skills updating and to the restructuring plans, are based on the performance assessment system. The following table reports figures for 2016–2018 in relation to the Annual Appraisal Assessment (AAA) which involves the participation of both the employee and the relevant manager.

Annual Appraisal Assessment (AAA)	2018		2017		2016	
	Number	%	Number	%	Number	%
Cadres	161	57%	157	54%	175	58%
Employés	21	27%	35	42%	40	41%
Journalistes	133	35%	33	9%	95	24%
<b>Total</b>	<b>315</b>	<b>42%</b>	<b>225</b>	<b>30%</b>	<b>310</b>	<b>39%</b>

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## Workplace safety and prevention

Ensuring safety in the workplace and safeguarding the health of Mondadori Group employees is one of the core purposes of the prevention and protection service.

In implementing the range of activities planned, special attention was paid in 2018 to changes in the setup of the legal entities and locations used by staff: in all workplaces, the legally-required activities were completed, the risk assessment documents of the locations were updated, and the list of the corresponding figures, either designated or elected, involved in the management of the system for the protection of workers' health and safety, accessible at all times in the "Prevention and safety" area of the corporate intranet Network, was updated.

A Group safety coordination unit, although not required by law, was established by the parent company to oversee and coordinate activities aimed at implementing the legal requirements, providing guidelines, and monitoring the planning and execution of annual obligations:

*Regular meetings:* 8 safety meetings were held concerning 22 sites and involving, along with the employers or their delegates for the companies, 4 health and safety managers and 6 health and safety officers, 22 workers' safety representatives, and 7 occupational medicine practitioners.

*On-site workplace inspections:* jointly with the occupational medicine practitioners, in 2018 inspections were conducted of the workplaces of 22 Group sites.

*Evacuation drills:* in addition to the testing of emergency plans in 31 Retail Area stores, the safety officers of each Mondadori Group site coordinated annual evacuation drills involving all personnel on site. Feedback received on the drills was then used to identify and formalize the actions needed to improve emergency procedures.

The occupational health service was guaranteed by the San Raffaele Resnati Hospital: the 7 appointed practitioners visited 616 workers subject to health surveillance for the risks from the use of VDT exceeding 20 hours per week; the activities of the service are planned with the help of the workplace health and safety IT system adopted by the Mondadori Group. The platform enables the identification of the workers due for a health check-up, the planning of regular medical visits, and the management of medical records on a computerized and encrypted basis. The system is also used for the digital archiving of medical reports and documents, to fulfil statutory requirements under laws and regulation in force, and to plan training initiatives, and enables the internal supervisory body to constantly monitor Company compliance with the regulations in force.

In order to increase the number of staff able to use the AED (automatic external defibrillator) installed at the parent company's headquarters, 14 first-aiders from Segrate took part (on a voluntary basis) in the BLSD (Basic Life Support and Defibrillation) training course in March to gain knowledge of basic cardiopulmonary resuscitation and early defibrillation.

## **Welfare and benefits**

The new company agreement introduces the testing of effective tools to help juggle work and life, such as smart working and family support measures, with the aim of providing better conditions to combine work and family needs. Special attention has been paid in this sense to maternity protection, with the reduction of working hours in the six months following return and the anticipation of full pay for periods with reduced remuneration, while new fathers are granted 10 days of paid leave. In cases of serious illness, the period of respite has also been suspended with a view to job retention.

Despite the persisting criticalities affecting the publishing sector, from an economic point of view, the agreement also provides for the establishment, for the 2019-2021 three-year period, of an annual variable performance bonus common to all Group companies, part of it made available through a corporate welfare system that provides employees with a series of services and initiatives to facilitate the well-being of workers and their family.

## **Internal communications**

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

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

At least once a week, a newsletter is sent to all staff, containing links to new items posted on the Intranet or on relating product websites.

As part of the corporate communications strategy (see p. 95) and from a multi-channel environment perspective, a number of new features have also been introduced for internal communications.

March 2018 saw the inauguration of Agorà, the new multi-purpose area in the square of the Segrate headquarters, a versatile area fit for a great many activities: meetings with writers, actors, youtubers and influencers, interviews and short live performances with singers and musicians, presentations of initiatives and conventions dedicated to employees, live broadcasts on social networks, webinars and so forth. In the first 9 months, Agorà hosted 80 events involving approximately 2,000 people, helping to strengthen staff and associates' feeling of belonging to the Group.

Plans also include a greater deployment of monitors currently located at the entrances to Segrate Hub 1 and used to provide information on events planned in the Agorà and other initiatives: in 2019, all floors of the three Segrate hubs will be equipped with monitors, with centrally-managed and more nuanced information.

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

## THE INFORMED USE OF NATURAL RESOURCES

The Mondadori Group attaches great importance to environmental issues, especially as regards the life cycle of paper products, energy efficiency, and the reduction of climate-changing emissions (see *The new process for identifying material topics*, pp. 82-84).

The importance of these issues for the Group is tied above all to the main environmental impacts of its operations, mainly in relation to the consumption of paper and energy and the distribution of products.

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

In general, sustainability matters, and hence issues connected with environmental impacts, are referred to the Sustainability Committee (see *Governance system*, pp. 136-137), which as early as 2012 prepared a Company environmental policy, published on the Mondadori Group corporate website ([mondadori.it/sostenibilita/la-tutela-dellambiente](http://mondadori.it/sostenibilita/la-tutela-dellambiente)). The policy outlines the Group's commitment and targets for reducing its environmental footprint and provides the framework for the setting of Group strategy and target areas for environmental action.

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

As in the rest of the NFS, the figures of the scope of continuing operations are shown (Italian consolidated companies and Rizzoli International Publications); Mondadori France figures are shown separately, in this specific case all together at the end of the chapter.

## Responsible management of paper products

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

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

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

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

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

## The raw material: the paper used to print editorial products

In 2018, the total consumption of paper used for the printing of editorial products in the scope of continuing operations (Italy and the USA) amounted to 70,616 tonnes (-9.5% versus 2017). Leveraging on the strategy of purchasing goods and services that started in 2014, Mondadori has strengthened its commitment to rationalizing the use of paper in the printing of its products, and to have greater control over the supplier selection process, to ensure that their work is consistent with the sustainability principles of the Group. Supplier selection criteria requires that paper is certified by the FSC or PEFC, the two main certification schemes adopted worldwide, in order to progressively raise the percentage of certified paper used over time.

The table shows paper consumption by type of paper (certified, traditional and recycled) for the 2016–2018 period.

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In the three-year period, the breakdown by type of paper shows a clear change in figures, with a strong decrease in the use of traditional paper (0.02% of the total versus 2.1% last year) in favour of certified paper (99.94% of the total versus 97.9% last year).

### Total printing paper – Italy

Type of paper <sup>1</sup>	2018		2017		2016	
	Tonnes	%	Tonnes	%	Tonnes	%
Certified	67,325	99.94%	73,573	97.9%	76,485	96.8%
Recycled	32	0.05%	37	0.0%	46	0.1%
Traditional	11	0.02%	1,578	2.1%	2,516	3.2%
<b>Total</b>	<b>67,367</b>		<b>75,188</b>		<b>79,047</b>	

<sup>1</sup> The table is net of the data from Inthera, sold in 2018

Rizzoli International Publications purchases its raw materials indirectly through printers, based primarily in China and, to a lesser degree, in Italy. Given the type of products it publishes and the international markets on which it operates, to date the company has placed only limited focus on the use of certified paper. However, greater attention has been placed as early as 2018 to the use of certified paper, to align the company's standards with those of the Group. According to estimates, approximately 30% of paper used in 2018 is PEFC certified and 15% FSC certified.

Accordingly, paper consumption estimates for 2016–2018 are reported below; the increase in consumption shown was due to the higher number of copies printed.

#### Total printing paper – USA<sup>1</sup>

	2018	2017	2016
Tonnes	3,249	2,849	2,777

<sup>1</sup> Rizzoli International Publications' 2016, 2017 and 2018 paper consumption has been estimated on the basis of the copies produced and the average weight per copy, as detailed figures on actual consumption of paper for printing are not available in the documents received from suppliers, nor was it possible to trace the cost of paper alone in the data appearing in the purchase invoices

#### Logistics and the end of life of editorial products

The Mondadori Group's distribution logistics take the form of a series of overlapping networks that cover the entire country and differ in terms of the type of product managed and transported. These can be divided into the following channels: magazines (newsstands, subscriptions, daily newspapers), books (trade and educational), book clubs (Mondolibri products) and e-commerce.

Many logistics processes include both direct shipping to the destination points of the reference channel and the return shipping of unsold products. According to the channel, unsold products may go into storage, be re-processed for paper recycling or pulping (in the case of paper products), or be destroyed or disposed of.

The various distribution processes are described below for each channel, with details provided of the main environmental impacts connected with them. Specifically, in 2018, regarding the Italian scope, a total of 4,942 tonnes of renewable packaging materials (wood and cardboard) was consumed (+17% versus 2017), while non-renewable packaging materials (polyethylene, polypropylene and expanded polystyrene foam) amounted to 390 tonnes (-6% versus 2017).

#### Magazines – Italy

Logistics for the Magazines Italy business is managed by Press-di Distribuzione Stampa e Multimedia S.r.l., a wholly-owned subsidiary of the Mondadori Group, which manages the distribution of Mondadori magazines and the magazines and newspapers of other publishers for the news-stand channel only.

All Press-di operating processes, including transport management, are outsourced to a network of expert suppliers. In 2018, over 61,000 tonnes of product were transported, entirely by road transport (with the additional use of naval transport for distribution to islands, involving the roll-on/roll-off of vehicles onto ships).

The magazines logistics process in Italy involves four steps:

- film wrapping and shipment preparation: in 2018 this process was applied to approximately 56 million copies, for which approx. 226 tonnes of cellophane wrapping, approx. 110,000 pallets (equivalent to 2,103 tonnes of wood), and 42 tonnes of film was used;
- primary transport: from distribution logistics centres (Melzo and Verona) to local distributors (approximately 62 private businesses in 2018);
- last mile (delivery to the point of sale): local distributors deliver copies to newsstands and carry out the "last mile" transport service to the point of sale. Local distributors are responsible for collecting unsold products at newsstands every day and processing returned products for return delivery to the Press-di national returns centre or for local pulping;
- transportation of returned products: unsold products subject to return to the publisher are transported to the national returns centre of San Pietro Mosezzo (Novara) through the Press-di primary transport network.

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

Raw material (tonnes)	Detail	Press-di		
		2018	2017	2016
Wood	Pallets <sup>1</sup>	2,103	2,168	2,352
Cardboard	Cardboard boxes and packaging materials	-	-	-
Polyethylene	Film	268 <sup>2</sup>	295	332
	Package filling	-	-	-
	Pallet covers	n.d.	n.d.	n.d.
Polypropylene	Tape	n.d.	n.d.	n.d.
	Strapping	n.d.	n.d.	n.d.
Expanded polystyrene foam	Filling of packages with polystyrene	-	-	-

<sup>1</sup> Following the improved estimate of the pallet used for the distribution of magazines, the 2017 and 2016 data have been restated versus those published in the previous NFS. For previously published data, please refer to the 2017 NFS published on [www.mondadori.it](http://www.mondadori.it)

<sup>2</sup> The figure on film in 2018 was estimated on the basis of consumption in 2017

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

The lower operating costs (deriving from the progressive reduction in transported weights) correspond to a proportional reduction in emissions due to transportation. Added to this is the effect of the certified returns process, by which unsold copies of publications are sent for pulping by local distributors, ensuring the processing of returns for statistical and accounting purposes for the publishers, without the need for the unsold copies to return physically to the warehouse, thereby reducing both costs and emissions.

The following table reports the estimated CO<sub>2</sub>eq emissions deriving from the transport of magazines from the distribution logistics centres of Verona and Melzo to local distributors in the three-year period 2016–2018. In 2018 these emissions fell by 13.7% versus 2016, from 6,235 tonnes to 5,378 tonnes of CO<sub>2</sub>eq.

#### CO<sub>2</sub>eq emissions from primary transport

	2018	2017	2016
t CO <sub>2</sub> eq	5,378	5,806	6,235

Primary transport emissions have been calculated taking into consideration the greenhouse gases CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O

#### Emission factors used

Transport of magazines	Source 2018: DEFRA: 2018 UK Government GHG Conversion Factors for Company Reporting	0.81 kgCO <sub>2</sub> eq/km
	Source 2017: DEFRA: 2017 UK Government GHG Conversion Factors for Company Reporting	0.81 kgCO <sub>2</sub> eq/km
	Source 2016: DEFRA: 2016 UK Government GHG Conversion Factors for Company Reporting	0.83 kgCO <sub>2</sub> eq/km

With regard to the management of returns, Mondadori has a particularly high local pulping rate, thanks to the incentives pushed by Press-di (in agreement with the Group and third-party publishers distributed) to encourage the widespread take-up of certified returns processes by local distributors. At the same time, however, the ongoing decline in

newspaper and magazine readership, which has led to a general reduction in returns, has also affected the number of intermediaries – local distributors and newsstands – over the years, lowering both their total number and those that guarantee certified returns.

In 2018, a total of 21,478 tonnes of magazines (+2% versus 2017) and 9,017 tonnes of newspapers (-7% versus 2017) were recycled through local pulping. Currently, out of the 62 local distributors used by Press-di, 59 guarantee certified returns (versus 62 out of 69 last year).

### Trade books

Logistics operations for Trade Books (for the Mondadori, Einaudi, Electa, Frassinelli, Piemme, and Sperling & Kupfer brands, managed until

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

In this context, the returns process (see the corresponding table for data relating to shipping volumes, pallets and copies handled) is worthy of attention: returns are registered, classified based on quality, recorded, and stocked. The owner of such stock, i.e. the publisher, pays for the storage and decides when to pulp the product.

Returns Trade books (no.) <sup>1</sup>	2018	2017	2016
Copies	9,925,000	10,391,000	10,163,000
Packages	325,000	332,000	325,000
Shipments	35,200	35,700	35,000

<sup>1</sup> Data on pallets and shipments are based on estimates of the number of copies

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

### School book publishing

In 2018, Mondadori Education distributed approximately 6.5 million textbooks and teachers' guidebooks. In 2018, distribution operations for all Mondadori Education publications were performed at the Verona logistics hub, managed by Ceva Logistics.

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

- through a network of promoters, school texts are presented to teachers from January to May in order to promote their adoption; logistics

is in charge of shipping the books from the central warehouse to the promoters, just under 130 destinations; finally, the promoters are in charge of delivering or shipping the sample books to teachers. To this end, it is important to highlight the introduction of digital sample books (connected with the development of multi-device digital school books), which may lead to a reduction in the production and shipment of paper trial books;

- starting in May and, with varying intensity, up until the end of October, Mondadori Education restocks the retail distribution points for the sales campaign, reaching approximately 20 destinations. In addition, starting in September, when the school year starts, the promoters are supplied with books and guides to deliver to teachers for classroom trials;
- as well as making shipments to decentralized distribution centres, the central warehouse in

Verona directly supplies some top accounts and approximately 800 bookshops with university texts and L2 books (Italian as a foreign language).

Although returns are less frequent for school texts, total returns in this segment came to approximately 603,000 copies in 2018.

Distribution processes for Rizzoli Education are similar, but run through different logistics hubs, involving a central warehouse (City of Books hub in Stradella) and a regional distributor (Bologna).

As for the number of copies transported, approximately 7,800,000 copies were distributed in 2018, while returns amounted to 1,600,000 (both figures refer both to sale copies and classroom trial copies).

#### Bookclub

For products distributed through the bookclub channel, logistics (warehousing and preparation

of orders) and all business support processes are managed at the Verona logistics hub. Orders are shipped by mail.

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

#### E-commerce

As regards products sold on the website [www.mondadoristore.it](http://www.mondadoristore.it), B2C logistics activities include product management (for both Mondadori books and third-party publishers) at the Verona logistics centre (now Ceva Logistics); products are prepared according to customer orders and shipments are made by express courier directly to the final customer address. In this channel there are practically no returns.

The table below shows consumption figures for materials used for the transportation of trade books and school books.

#### Materials consumption for trade books and school books<sup>1</sup>

		Verona and Stradella logistics hubs		
Raw material (tonnes)	Detail	2018	2017	2016
Wood	Pallets	1,523	921	776
Cardboard	Cardboard boxes and packaging materials	1,316	1,121	1,136
Polyethylene	Film	39	73	75
	Package filling	8	13	13
	Pallet covers	4	3	3
Polypropylene	Tape	22	6	5
	Strapping	11	9	10
Expanded polystyrene foam	Filling of packages with polystyrene	38	15	16

<sup>1</sup> The figures for 2017 and 2016 relating to package filling materials, pallet covers and strapping only refer to Trade Books; the figures for Mondolibri are not available

## Reducing energy consumption and combating climate change

The emission reporting process implemented in recent years by the Group has enabled the consolidation of calculation methods and was used as a baseline for raising internal awareness about possible policies for the reduction of the greenhouse gases generated by its operations. In this regard, the Group has already launched a number of projects to cut its emissions, both in 2018 and in the past. These include, for instance, the implementation of energy efficiency measures in buildings, the reduction of printing paper consumption, and the replacement of the car fleet with lower emission models (see *Initiatives to reduce environmental impact*, pp. 129-131, 135).

This section looks at the environmental impact of the Mondadori Group's operations on global warming. It reports and explains the direct and

indirect greenhouse gas emissions produced by the Group along its entire value chain.

Total greenhouse gas emissions at Group level (scope of continuing operations - Italy and USA) in 2018 amounted to approximately 35,591 tonnes of CO<sub>2</sub>eq (-15% versus 2017). Total electricity consumption in 2018 amounted to 13,722 MWh (49,397 GJ, -15% versus 2017), while natural gas consumption amounted to 402,420 m<sup>3</sup> (14,139 GJ, -22% versus 2017). The Group does not purchase energy from renewable sources.

### Italy

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

GHG emissions (tonnes)	2018	2017	2016
Direct (Scope 1) - CO <sub>2</sub> eq	801	1,013	1,064
Energy indirect (Scope 2) emissions			
location-based - CO <sub>2</sub>	4,840	5,870	6,527
market-based - CO <sub>2</sub> eq	6,453	7,374	8,198
Other indirect (Scope 3) emissions	28,534	33,691	35,392
Emissions related to paper production - CO <sub>2</sub>	26,947	32,331	33,990
Emissions from business travel - CO <sub>2</sub> eq	1,587	1,360	1,402
<b>Total emissions</b>	<b>34,175</b>	<b>40,574</b>	<b>42,983</b>

Location-based Scope 2 emissions are shown in tonnes of CO<sub>2</sub>; however the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO<sub>2</sub>eq), as inferred from the technical reference literature

Scope 3 emissions linked to paper production are shown in tonnes of CO<sub>2</sub>, as the source used does not report the emission factors of other gases than CO<sub>2</sub>. Total emissions are shown in CO<sub>2</sub> as the share attributable to other gases (CH<sub>4</sub> and N<sub>2</sub>O) is immaterial

## Emission factors used<sup>1</sup>

Electricity (location-based)	Source 2018: Terna international comparisons on Enerdata data (2016 data)	360 gCO <sub>2</sub> /kWh
	Source 2016 and 2017: Terna international comparisons on Enerdata data (2015 data)	359 gCO <sub>2</sub> /kWh
Electricity (market-based)	Source 2018: AIB, (2018). European Residual Mixes 2017	480 gCO <sub>2</sub> eq/kWh
	Source 2017 and 2016: AIB, (2017). European Residual Mixes 2016	471 gCO <sub>2</sub> eq/kWh
Natural gas	Source 2018: NIR ISPRA	1.978 kg di CO <sub>2</sub> /m <sup>3</sup> 0.00008571 kgCH <sub>4</sub> /m <sup>3</sup> 0.00003428 kgN <sub>2</sub> O/m <sup>3</sup>
	Source 2017: National standard parameters published by the Ministry for the Environment and Land and Sea Protection (2017)	1.964 tCO <sub>2</sub> /1,000 stdm <sup>3</sup> and 55,897 tCO <sub>2</sub> /TJ
	Source 2016: National standard parameters published by the Ministry for the Environment and Land and Sea Protection (2016)	1.955 tCO <sub>2</sub> /1,000 stdm <sup>3</sup> and 55.841 tCO <sub>2</sub> /TJ t CO <sub>2</sub> /TJ
Paper production	Source: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 tonnes CO <sub>2</sub> /tonne paper

<sup>1</sup> Data relating to business travel are disclosed through specific reports by the various travel agencies used by the Group

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Direct (Scope 1) GHG emissions are connected with the consumption of natural gas for the heating of offices, stores, and warehouses and fugitive emissions from air conditioning units. Natural gas consumption figures were accurately measured.

Natural gas - Italy <sup>1</sup>	Unit	2018	2017	2016
Natural gas consumption	m <sup>3</sup>	402,420	515,584	544,121
	GJ	14,139	18,115	19,151

<sup>1</sup> Natural gas consumption is converted into GJ using the conversion factors sourced from "National standard parameters published by the Ministry for the Environment and Land and Sea Protection" published for the respective years (2018, 2017, 2016). 2016-2017 data contain estimates as the final consumption figures are not available

In Italy, Group gas consumption fell by 22% versus 2017, from 515,584 m<sup>3</sup> to 402,420 m<sup>3</sup> in 2018, due mainly to the closure of some sites and energy efficiency measures introduced during the year (see *Initiatives to reduce environmental impact*, pp. 129-130).

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

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

Electricity - Italy	Unit	2018	2017	2016
Total electricity purchased from national grid	MWh	13,445	15,655	17,405
	GJ	48,401	56,358	62,658

<sup>1</sup> 2016 and 2017 data contain estimates as the final consumption figures are not available

The approximately 23% drop in consumption between 2016 and 2018 was in part due to the closure of some Group sites, and in part to energy saving initiatives implemented over the year (see *Initiatives to reduce environmental impact*, pp. 129-130).

Other indirect (Scope 3) emissions consist of emissions connected with paper production operations (see *The raw material: the paper used to print editorial products*, pp. 120-121) and business travel by employees. Emissions connected with the paper production cycle totaled approximately 26,950 tonnes of CO<sub>2</sub> in 2018, down versus the prior year as a result of the declining consumption of paper (-17%).

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

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

Emissions by means of transport (%)	2018
Train	9.5%
Company car	24.9%
Car rental	3.0%
Plane	62.6%

As in prior years, company cars and air travel, being powered by fossil fuels, accounted for the biggest share of CO<sub>2</sub> emissions connected with business travel.

Other significant Scope 3 emissions were found to be connected with the logistics of transporting raw material (paper) and finished goods. Due to the difficulty of collecting reliable data on these flows, currently these emissions are only partially recorded (see table on p. 122) and may be explored more thoroughly in upcoming years.

## USA

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

GHG emissions (tonnes)	2018	2017	2016
Energy indirect (Scope 2) emissions			
location-based - CO <sub>2</sub>	117	231	244
market-based - CO <sub>2</sub>	117	231	244
Other indirect (Scope 3) emissions - CO <sub>2</sub>			
Emissions related to paper production	1,300	1,225	1,194
<b>Total emissions</b>	<b>1,416</b>	<b>1,456</b>	<b>1,438</b>

Scope 2 emissions are shown in tonnes of CO<sub>2</sub>; however the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO<sub>2</sub>eq), as inferred from the technical reference literature.

Scope 3 emissions linked to paper production are shown in tonnes of CO<sub>2</sub>, as the source used does not report the emission factors of other gases than CO<sub>2</sub>

Updated figures are currently not available on fugitive emissions from air conditioning equipment to be able to measure direct (Scope 1) GHG emissions, nor for emissions connected with business travel.

#### Emission factors used

Electricity (location-based and market-based)	Source 2018: Terna international comparisons on Enerdata data (2016 data)	421 gCO <sub>2</sub> /KWh
	Source 2016 and 2017: Terna international comparisons on Enerdata data (2015 data)	455 gCO <sub>2</sub> /KWh
Paper production	Source: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 tonCO <sub>2</sub> / tonne paper

In 2018, total emissions for Rizzoli International Publication fell by 2,7% versus 2017, thanks to lower energy indirect (Scope 2) GHG emissions connected with electricity consumption for lighting

and air conditioning. The drop in electricity consumption over the three-year period came to approximately 48%.

	Unit	2018	2017	2016
Total electricity purchased from national grid	MWh	277	508	536
	GJ	997	1,830	1,929

<sup>1</sup> Electricity consumption for Rizzoli International Publications has been estimated on the basis of the spend on electricity, as more detailed consumption data are not available

The other indirect (Scope 3) emissions reported in the table refer exclusively to tonnes of CO<sub>2</sub> emitted by paper production processes, which rose slightly

in 2018 as a result of the higher number of copies printed.

## INITIATIVES TO REDUCE ENVIRONMENTAL IMPACT

### Waste

The commitment to reducing environment impact also applies to waste produced. Given the Mondadori Group's typical business, only a minor part of waste produced by special products falls in the "hazardous" class. This in no way lessens our commitment to constantly improve in Italy; from 2017 to 2018, we cut the production of special waste by 5% (the data shown in the table refer only to the Segrate headquarters).

Waste	2018		2017		2016	
	Tonne	%	Tonne	%	Tonne	%
Hazardous	0.771	0.4%	0.793	0.4%	2.341	0.6%
Non-hazardous	199.73	99.6%	211.135	99.6%	360.962	99.4%
<b>Total</b>	<b>200.5</b>		<b>211.9</b>		<b>363.3</b>	

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### Energy saving initiatives in 2018

2018 was a year of renewed focus on energy saving, especially regarding the Segrate head office. The initiatives reported below are those planned in 2017 and partly implemented in 2018, the benefits of which will be delivered in full in 2019. Other initiatives are currently in the pipeline or being assessed and planned.

#### All sites (Italy)

Among the measures taken to reduce the environmental footprint of Group offices and stores,

efforts have been made in recent years to raise awareness of the use of toner and paper for printing in offices. Over the last three years in particular, the Group has managed to reduce the consumption of printing paper by approximately 24%. In 2018, all printers in Italian offices and directly managed stores were replaced by new, high performance all-in-one devices for printing, scanning and photocopying. The new devices ensure the quality of print-outs and the ability to print on any device in the network, while delivering major reductions in the consumption of energy and consumables (paper and toner).

**Toner and paper consumption for printing (offices) – Italy**  
**Raw material (tonnes)**

	2018	2017	2016
Paper for printouts	72	90	95
Toner for printouts	2	3	3

**Segrate head office**

- Nearing completion, the splitting of the induction system on the main building, south side, through sectioning of hydraulic distribution into two macro-areas per half floor, managed by temperature sets and the installation of inverters on the hot and cold inductor pumps. Goal: energy saving, increased comfort and ultimate flexibility of the system, allowing a different use on each floor. Annual savings are estimated at approximately 7,000 m<sup>3</sup> of gas and 40,000 kW of electricity.
- Project laid out and request for quotations stage underway for the splitting of the induction system on the main building, north side, through sectioning of hydraulic distribution into two macro-areas per half floor, managed by temperature sets and the installation of inverters on the hot and cold inductor pumps. Goal: energy saving, increased comfort and ultimate flexibility of the system, allowing a different use on each floor.
- For both Palazzo Niemeyer and Cascina Tregarezzo, the electrical energy monitoring system was further improved in accordance with Legislative Decree 102/2014. The system allows splitting of energy consumption based on use (conditioning, motive power, lighting, auxiliary devices), crucial for implementing new energy saving measures.

**Measures planned or in the pipeline for 2019**

**Segrate head office**

- Project phase completed to move on to the request for quotations stage of the automated hot/cold CAV box management system on the “Foglia” floor. The project completes the work carried out a few years ago on the “Sottofoglia”. Goal: energy saving, greater system flexibility, improved well-being and drastic cut in control operations (no longer manual and on site via operator).

- Request for quotations stage for the replacement of the well pumps with new inverter pumps to reduce water and electricity consumption at night and in winter based on actual needs while still ensuring a minimum constant flow to the lake.
- In the planning and assessment stage, installation of compensating hoods to remove cooking fumes from the canteen. The significant reduction in the need for external air supply ensures direct saving of thermal energy and its cooling, as well as bringing the current hoods up to standard.
- Gradual replacement of external lamps (in the car park and along walkways) with new LED technology.

**Reducing the impact of business travel**

The Mondadori Group has been committed for several years now to reducing emissions from business travel related to its activities in Italy.

Along with the number of cars, the quality of the Group’s fleet in Italy also improved in 2018, in relation to the emission classes of the vehicles, as determined by the ADEME eco-label (Agence de l’Environnement et de la Maîtrise de l’Energie, a French agency specialized in the identification and spread of energy, environmental protection, and sustainable development information); in 2018, 52% of the car fleet consisted of class A and B vehicles (48% in 2017), with a reduction in lower-emission vehicles (D, E, F).

<b>Car fleet (Italy)</b>			
Type (no.)	<b>2018</b>	<b>2017</b>	<b>2016</b>
Owned vehicles	-	-	8
Leased vehicles	112	130	142
<b>Total</b>	<b>112</b>	<b>130</b>	<b>150</b>

In 2018 too, no class E and F cars were held.

<b>Type (no.)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Class A - less than or equal to 100 gCO <sub>2</sub> /km	16	19	16
Class B - from 101 to 120 gCO <sub>2</sub> /km	42	44	44
Class C - from 121 to 140 gCO <sub>2</sub> /km	31	37	40
Class D - from 141 to 160 gCO <sub>2</sub> /km	8	12	19
Class E - from 161 to 200 gCO <sub>2</sub> /km	15	18	29
Class F - from 201 to 250 gCO <sub>2</sub> /km	-	-	2
Class G - more than 250 gCO <sub>2</sub> /km	-	-	-
<b>Total</b>	<b>112</b>	<b>130</b>	<b>150</b>

The average amount of emissions per km has improved slightly from 126 gCO<sub>2</sub>/km in 2017 to 127 gCO<sub>2</sub>/km in 2018.

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#### Average CO<sub>2</sub> emissions per km (in grams of CO<sub>2</sub>eq)

<b>2018</b>	<b>127</b>	<b>C</b>
2017	126	C
2016	132	C

### Mondadori France

#### Responsible management of paper products

In France, the *Eco-contribution* tax on entities that release at least 5 tonnes of paper on the market per year, designed to encourage the sustainable use of the resource, is an additional incentive for the collection and recycling of waste paper. The proportional basis of the tax has led publishers such as Mondadori France to purchase more paper from paper mills located near printing operations, to use paper containing at least 25% recycled fibre, and to implement strategies to promote recycling.

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

## Total printing paper

Type of paper	2018		2017		2016	
	Tonnes	%	Tonnes	%	Tonnes	%
Recycled <sup>1</sup>	7,349	20%	6,532	16%	14,158	31%
Traditional	29,665	80%	35,444	84%	31,681	69%
<b>Total</b>	<b>37,014</b>		<b>41,976</b>		<b>45,839</b>	

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

Mondadori France paper consumption, down already in recent years, dropped sharply in 2018 (-11.8% versus 2017) to around 37,000 tonnes. This is the result of the measures taken in the three-year period to reduce paper consumption for printing purposes.

### Magazine logistics

Printing, binding and distribution operations connected with the magazines published by Mondadori France (approximately 171 million copies in 2018) are outsourced to external suppliers located in Europe. Unlike in Italy, the sale of magazines via subscriptions represents a significant share of the business. Magazines are distributed by post or to newsstands. Specifically, the distribution to newsstands is outsourced to two companies and is mainly carried out by road transport.

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

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

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

Raw material (tonnes)	Detail	Mondadori France		
			2017	2016
Wood	Pallets	983	1,058	1,159
Cardboard	Cardboard boxes and packaging materials <sup>1</sup>	20	20	20
Polyethylene	Film	183	201	207
	Package filling	-	-	-
	Pallet covers	-	-	-
Polypropylene	Tape	-	-	-
	Strapping	36	42	40
Expanded polystyrene foam	Filling of packages with polystyrene	-	-	-

<sup>1</sup> The consumption figure for cardboard boxes for the three-year period is an estimate

## Emissions

As regards Mondadori Group operations in France, the greenhouse gas emissions considered within the reporting scope of the GHG survey are shown in the table below. The 2018 data on emissions from business travel by Mondadori France are unavailable

GHG emissions (tonnes)	2018	2017	2016
Direct (Scope 1) – CO <sub>2</sub> eq	105	112	246
Energy indirect (Scope 2) emissions			
location-based – CO <sub>2</sub>	139	120	125
market-based – CO <sub>2</sub> eq	152	137	143
Other indirect (Scope 3) emissions – CO <sub>2</sub>			
Emissions related to paper production	14,806	18,050	19,711
<b>Total emissions</b>	<b>15,050</b>	<b>18,282</b>	<b>20,082</b>

Location-based Scope 2 emissions are shown in tonnes of CO<sub>2</sub>; however the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO<sub>2</sub>eq), as inferred from the technical reference literature.

Scope 3 emissions linked to paper production are shown in tonnes of CO<sub>2</sub>, as the source used does not report the emission factors of other gases than CO<sub>2</sub>

Total emissions are shown in CO<sub>2</sub> as the share attributable to other gases (CH<sub>4</sub> and N<sub>2</sub>O) is immaterial

The direct (Scope 1) GHG emissions reported in the table consist exclusively of fugitive emissions from air conditioning units, which in 2018 amounted to approximately 75 kg, equivalent to 105 tonnes of CO<sub>2</sub>eq.

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## Emission factors:

Electricity (location-based)	Source 2018: Terna international comparisons on Enerdata data (2016 data)	53 gCO <sub>2</sub> /kWh
	Source 2016 and 2017: Terna international comparisons on Enerdata data (2015 data)	40 gCO <sub>2</sub> /kWh
Electricity (market-based)	Source 2018: AIB, (2018). European Residual Mixes 2017	58 gCO <sub>2</sub> eq/kWh
	Source 2017 and 2016: AIB, (2017). European Residual Mixes 2016	49 gCO <sub>2</sub> eq/kWh
Refrigerants (HFCs)	Source: GHG Protocol 2016	CO <sub>2</sub> eq/kg
Paper production	Source: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 tonnes CO <sub>2</sub> / tonne paper

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

While less than in Italy, Mondadori France also saw its electricity consumption fall in 2018: from 2,794 MWh in the prior year to 2,619 MWh (-6%). The drop in consumption was largely driven by measures introduced as of 2015 to reduce electricity consumption.

Lastly, with regards to other indirect (Scope 3) GHG emissions, the downward trend registered in recent years was due mainly to the lower consumption of printing paper, which fell from approximately 45,839 tonnes in 2016 to approximately 37,000 tonnes in 2018, corresponding to a 25% reduction in CO<sub>2</sub> emissions (from 19,711 in 2016 to 14,806 tonnes of CO<sub>2</sub> in 2018). The reduction in CO<sub>2</sub> emissions over the three years for Mondadori France was 25%.

Electricity	Unit	2018	2017	2016
Total electricity purchased from national grid	MWh	2,619	2,794	2,917
	GJ	9,428	10,058	10,500

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

## Waste

France shows even brighter results: in the 2016-2018 three-year period, total waste dropped by 17% from approximately 229 tonnes to 189. The

breakdown between hazardous and non-hazardous waste remained virtually unchanged in the reporting period.

Waste	2018		2017		2016	
	Tonnes	%	Tonnes	%	Tonnes	%
Hazardous	0.113	0.06%	0.128	0.06%	0.097	0.04%
Non-hazardous	189.199	99.94%	218.594	99.94%	228.735	99.96%
<b>Total</b>	<b>189.312</b>		<b>218.722</b>		<b>228.832</b>	

## Measures to reduce environmental impact

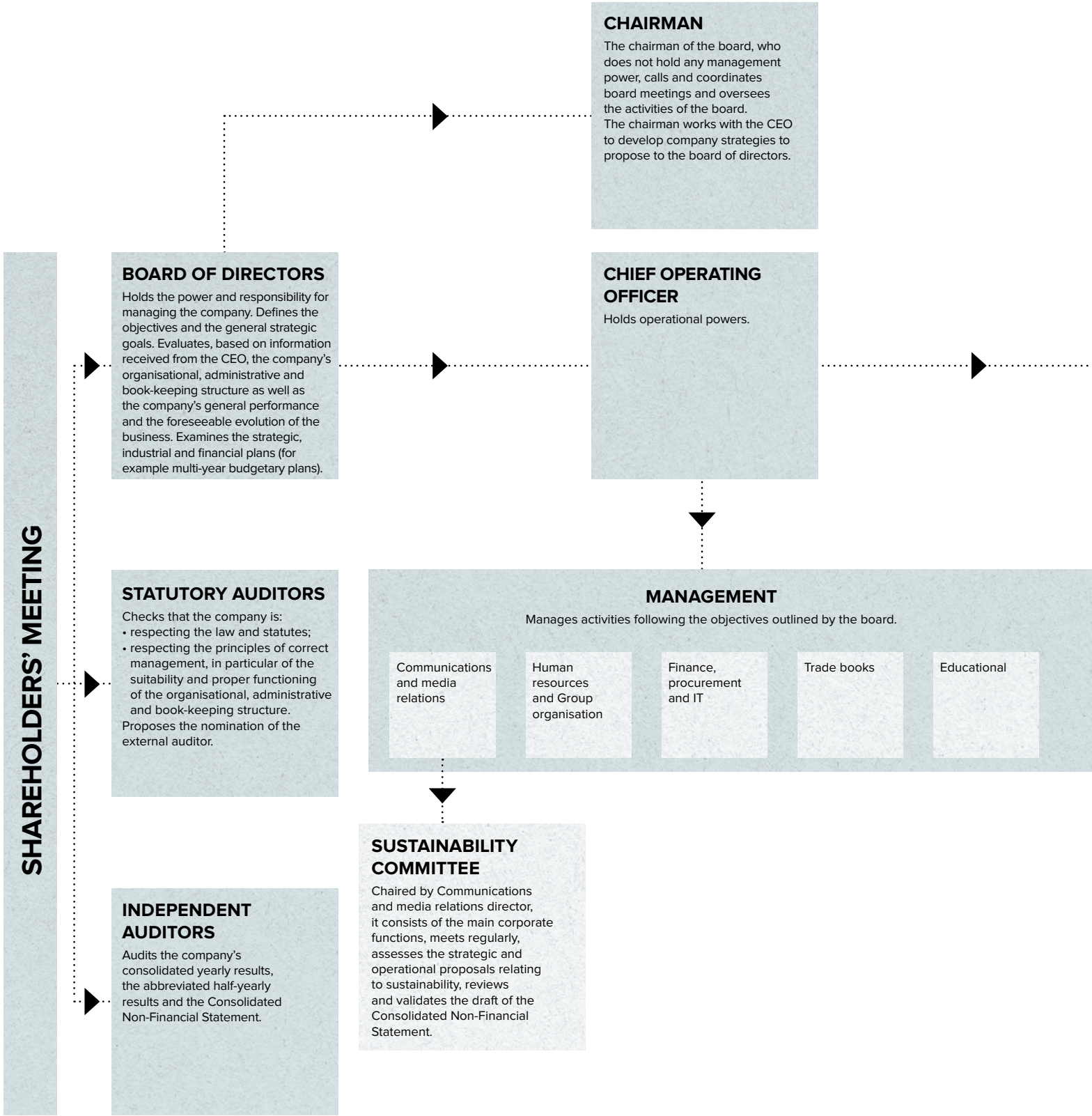
### Paper and sustainability

In response to the requirements of the Eco-contribution scheme, in recent years Mondadori France has undertaken a number of actions to alter the format and weight of its magazine paper. In the last three years, these measures have enabled it to reduce the average amount of paper consumed per copy by 2%, from 221 grams in 2017 to 216 grams in 2018.

	Unit	2018	2017	2016
Total circulation	Copies	171,462,700	190,000,000	200,000,000
Paper consumed	Tonne	37,014	41,977	45,839
Average paper consumption per copy produced	g	216	221	229

# GOVERNANCE SYSTEM

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



## Remuneration and appointments committee

Makes proposals to the board regarding:

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

## Control and risks committee

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

In particular, it:

- evaluates plans for internal and external audits;
- evaluates with the executive in charge of internal control and the auditors the correct application of book-keeping principles;
- assists the BoD in the assessments and decisions regarding sustainability topics, with specific regard to the approval of the NFS.

Reports periodically to the board of directors.

Carries out specific jobs delegated to it by the board of directors.

## Lead Independent Director and the Independent Directors Committee

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

The Lead Independent Director:

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

## Related parties committee

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

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

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

Identifies risks the company faces.

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

## Manager in charge of financial reporting

Arranges adequate administrative and book-keeping procedures for the preparation of the consolidated earnings report and half-yearly abbreviated report. Grants the certification of ex art. 154 *bis* of the Finance Consolidation Act (TUF).

## Head of Internal Auditing

Checks the suitability and functioning of the internal control system. Plans the overseeing of activities and internal audits of the company and its subsidiaries.

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

## Supervision and oversight body

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

Proposes updates for the organisational model to the board.

This committee is made up of an independent non-executive director, the head of the internal audit function and the chairman of the Board of Statutory Auditors.

Magazines  
Italy

Mondadori  
France

Mondadori  
Retail

## NOTE ON METHODOLOGY

This Consolidated Non-Financial Statement (hereinafter also “Statement” or “NFS”) of the Mondadori Group meets the requirements of Italian Legislative Decree 254/2016 concerning the obligation of large public-interest entities to report non-financial information. The objective of the NFS is to facilitate comprehension of the organizational model, policies, main risks, and performance indicators of the Group in relation to environmental,

social and employee matters, respect for human rights, and anti-corruption and bribery matters that are material to it, considering the business and characteristics of the company (as per Articles 3 and 4 of Italian Legislative Decree 254/2016).

Mention should be made that the issues relating to water consumption and health and safety were not found to be material by the materiality analysis described in the section *Materiality matrix*, pp. 84-85.

Material topic	Law 254 areas	GRI topic
Promotion of culture and reading	Social impacts	Interaction with the public (M) Media Literacy (M)
Education and the school world	Social impacts	Training and education
Transformation of business models	Social impacts	Economic performance
Digital development	Social impacts	Disclosure of content (M) Interaction with the public (M) Employment
Enhancement and management of human capital	Personnel management	Training and education Industrial relations
Responsibility of content	Social impacts	
Brand management	Social impacts	
Diversity	Personnel management	Employment Diversity and equal opportunities
Freedom of expression and editorial independence	Social impacts Human rights	Freedom of expression (M) Public policies Cultural Rights (M)
Privacy and personal data protection	Social impacts Human rights	Customer privacy Protection of privacy (M)
Life cycle of the paper product	Environment	Materials
Product accessibility	Social impacts Human rights	Disclosure of content (M) Portrayal of Human Rights (M)
Business integrity and combating corruption	Social impacts Combating corruption	Socio-economic compliance Anti-corruption
Market abuse	Social impacts	Anti-competitive behaviour
Climate change	Environment	Emissions
Management of environmental impacts	Environment	Energy consumption Materials

(M) Material topics under G4 Sector Disclosures – Media  
\*Rizzoli International Publications

In accordance with the two options provided by Article 5 of Italian Legislative Decree 254/16, this NFS has been incorporated into the Directors' Report on Operations of the Mondadori Group for 2018. This Non-Financial Statement, prepared on an annual basis, is also published on the Group website, *www.mondadori.it*, as part of the 2018 Annual Report.

In accordance with the GRI Standards, when prioritizing the sustainability issues, due

consideration was given to the relevance of the impact of each one both within and outside the reporting scope, i.e. along the Mondadori value creation chain.

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

Scope of material topics		Scope limitations	
Where the impact occurs	Type of impact	Internal	External
Group	Generated by the Group	-	-
Group	Generated by the Group	-	-
Group	Generated by the Group	-	-
Group	Generated by the Group	-	-
Group	Generated by the Group	-	Reporting scope partially extended to franchisees
Group	Generated by the Group	-	-
Group	Generated by the Group	-	Reporting scope not extended to franchisees
Group	Generated by the Group	-	-
Group	Generated by the Group	-	-
Group	Generated by the Group	-	-
Group, Distributors	Generated by the Group and related to Group activities	Reporting scope partially extended to RIP*	Reporting scope partially extended to distributors and not extended to paper suppliers and printers
Group	Generated by the Group	-	-
Group	Generated by the Group	-	-
Group	Generated by the Group	-	-
Group, Distributors	Generated by the Group and related to Group activities	Reporting scope partially extended to RIP*	Reporting scope partly extended to distributors and not extended to paper suppliers, printers and franchisees
Group, paper suppliers, distributors, printers and franchisees	Generated by the Group and related to Group activities	Reporting scope partially extended to RIP*	Reporting scope partly extended to distributors and not extended to paper suppliers, printers and franchisees

## Reporting scope and standard

In accordance with the requirements of the Decree, the **reporting scope** coincides with the scope of the consolidated financial statements, including all companies consolidated on a line-by-line basis in financial reporting: in line with the presentation of the economic and financial data in the Financial Report 2018, the data related to the subsidiary Mondadori France S.A.S. (classified under “Result from discontinued operations”) are presented in accordance with IFRS 5.

Mention should also be made that Inthera was sold in May 2018; its data and information are included in the Group's environmental and social data up to the disposal date. Any exceptions are duly indicated in the text.

Any exceptions to the reporting scope shown above are duly highlighted in the document; however, these limitations are not considered relevant for the comprehension of the company's business, performance, its results and the impacts it generates.

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GRI Standards	GRI Disclosure	Description
GRI 102 - General disclosure	102-8	Information on employees and other workers
	102-15	Key impacts, risks, and opportunities
	102-18	Governance structure
	102-40	List of stakeholder groups
	102-41	Collective bargaining agreements
	102-46	Defining report content and topic Boundaries
	102-47	List of material topics
	102-55	GRI content index
GRI 103 - Management Approach	103-1	Explanation of the material topic and its Boundary
	103-2	The management approach and its components
GRI 201 - Economic Performance	201-4	Financial assistance received from government
GRI 205 - Anti-corruption	205-3	Confirmed incidents of corruption and actions taken
GRI 206 - Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
GRI 301 - Materials	301-1	Materials used by weight or volume
	301-2	Recycled input materials used
GRI 302 - Energy	302-1	Energy consumption within the organization
GRI 305 - Emissions	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
	305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions
GRI 401 - Employment	401-1	New employee hires and employee turnover
GRI 402 - Labor/Management	402-1	Minimum notice periods regarding operational changes
	404-1	Average hours of training per year per employee
	404-2	Programs for upgrading employee skills and transition assistance programs
	404-3	Percentage of employees receiving regular performance and career development reviews

The **reporting year** to which information and data included in this NFS refer is 2018 (1 January - 31 December).

to the document, the GRI Content Index shows GRI indicators associated with each material topic (pp. 144-148).

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

GRI Standards	GRI Disclosure	Description
GRI 405 - Diversity and equal opportunity	405-1	Diversity of governance bodies and employees
GRI 415 - Public Policy	415-1	Political contributions
GRI 418 - Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
GRI 419 - Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area
GRI G4 - Media Sector Disclosures	M4	Actions taken to improve performance in relation to content dissemination issues (accessibility and protection of vulnerable audiences and informed decision making) and results obtained
	M6	Methods to interact with audiences and results
	M7	Actions taken to empower audiences through media literacy skills development and results obtained
	GRI 103 - Management Approach	Freedom of Expression
	103-1 103-2	
	GRI 103 - Management Approach	Cultural Rights
	103-1 103-2	
	GRI 103 - Management Approach	Portrayal of Human Rights
	103-1 103-2	
	GRI 103 - Management Approach	Protection of Privacy
	103-1 103-2	

## Reporting process and calculation criteria

The identification of the qualitative information and quantitative data contained in this 2018 NFS involved all relevant company functions, in concert with and coordinated by CSR officers.

Specifically, the data reported was selected on the basis of the materiality analysis (see *The new process of identifying material topics*, pp. 82-84), and, where appropriate, also on the basis of the European Commission's "Guidelines on Non-Financial Reporting". The data were collected through a collection, aggregation, and transmission process applied to data and information at Group level.

For the preparation of the Consolidated NFS for 2018, Mondadori was assisted by Lundquist S.r.l.

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

- the data on penalties refer to cash outlays in the year and are not calculated on an accrual basis;
- in the breakdown of staff by level, "executives" include chief editors and deputy editors of magazines; members of the Board of Directors are not included;
- where environmental data was not available, conservative estimates were used, resulting in the underestimation of the company's environmental performance;
- greenhouse gas emissions were calculated by applying the principles indicated in international standard ISO 14064-1.

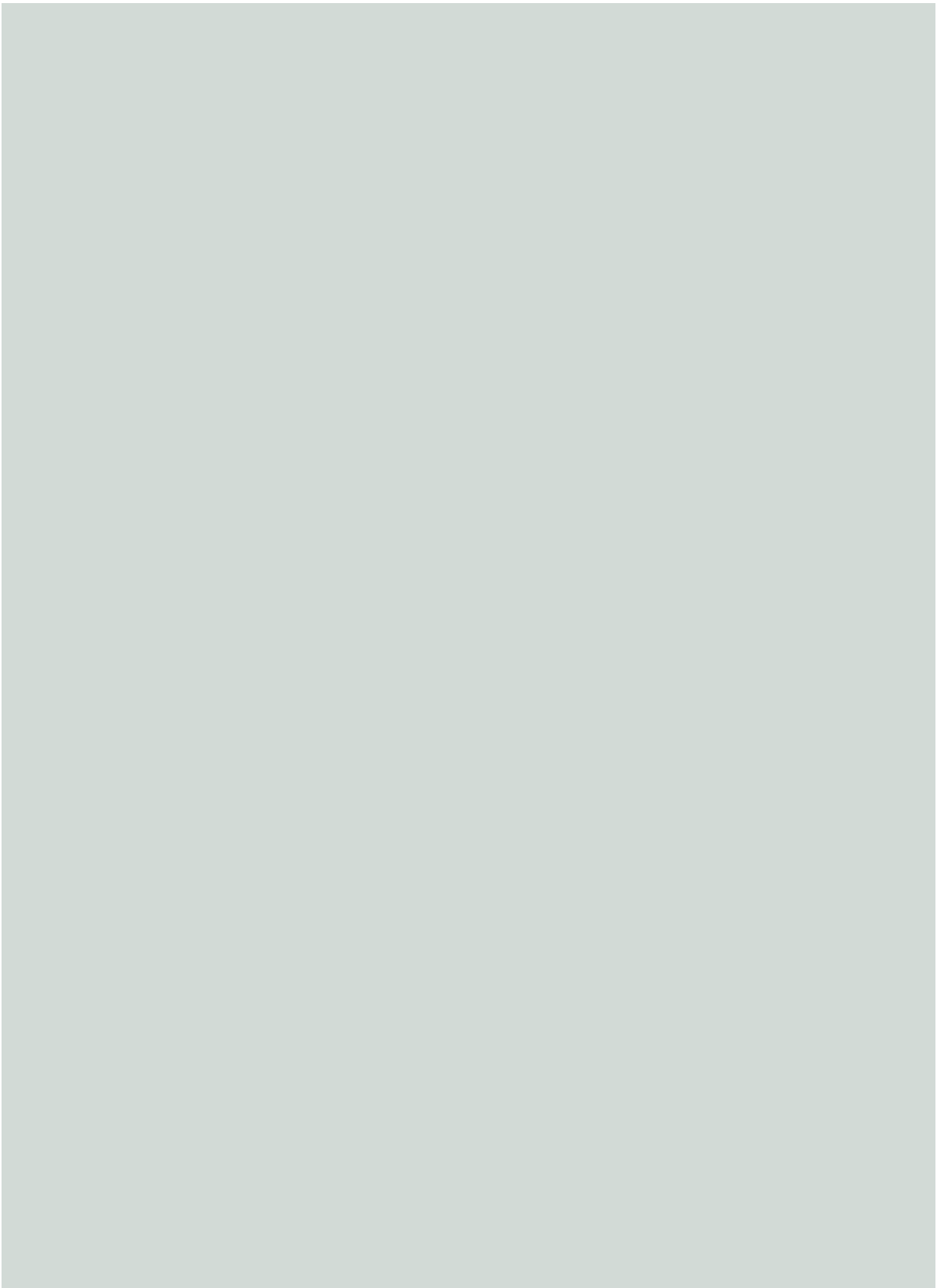
In order to compare data over time, where possible, data for the previous two years were included. Restatements of comparative data published in the previous NFS are clearly specified as such.

Additionally, as part of the steady, on-going development process of non-financial reporting, mention should be made that this NFS has been supplemented with new indicators relating to: diversity of governing bodies and employees, women's/men's salary ratio, and waste. With regard to these areas, it should be noted that the data for the comparative years have not been subject to a limited audit.

To ensure data reliability, the use of estimates has been restricted as much as possible, and, where used, are based on the best available and appropriately reported methods.

This NFS was approved by the Board of Directors of Arnoldo Mondadori Editore S.p.A. on 14 March 2019.

Its conclusions regarding the compliance of the information provided with Article 3 (10) of Italian Legislative Decree 254/2016 are set out in a separate external assurance report. The procedures followed for the assurance of the NFS are disclosed in the Independent Auditors' Report annexed to this report (pp. 150-153).



# GRI CONTENT INDEX

GRI Standard	Disclosure	Page reference	Omission
<b>GRI 102: General Disclosures</b>			
<b>Organizational Profile</b>			
	102-8 Information on employees and other workers	pp. 100; 107-108	
<b>Strategy</b>			
	102-15 Key impacts, risks, and opportunities	pp. 88-90	
<b>Governance</b>			
	102-18 Governance structure	pp. 136-137	
<b>Stakeholder engagement</b>			
	102-40 List of stakeholder groups	p. 83	
	102-41 Collective bargaining agreements	p. 112	
<b>Reporting practice</b>			
	102-46 Defining report content and topic Boundaries	pp. 82-85; 138-139	
	102-47 List of material topics	pp. 82-85	
	102-55 GRI content index	pp. 144-148	
<b>Material Topics</b>			
<b>GRI 200 Economic Standard Series</b>			
<b>Economic performance</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 91-92	
GRI 201: Economic Performance	201-4 Financial assistance received from government	pp. 91-92	
<b>Anti-corruption</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 90; 99	

GRI Standard	Disclosure	Page reference	Omission
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	p. 99	
<b>Anti-competitive Behavior</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	p. 99	
GRI 206: Anti-competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p. 99	
<b>GRI 300 Environmental Standards Series</b>			
<b>Materials</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 88; 119-122; 124; 130; 131-132	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	pp. 119-122; 124; 130; 131-132	
	301-2 Recycled input materials used	pp. 120; 132	
<b>Energy</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 88; 119; 125; 129-130	
GRI 302: Energy	302-1 Energy consumption within the organization	pp. 125-128; 129; 134	
<b>Emissions</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 88; 119; 122; 125-128; 130-133	

GRI Standard	Disclosure	Page reference	Omission
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	pp. 125-126; 128; 133	
	305-2 Energy indirect (Scope 2) GHG emissions	pp. 125-127; 128; 133	
	305-3 Other indirect (Scope 3) GHG emissions	pp. 125-127; 128; 133 Scope 3 emissions include, for Italy, emissions linked to paper consumption and business travel; for the United States and Mondadori France, they include emissions linked to paper consumption.	
	305-7 Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	In 2108, the Mondadori Group reported no significant emissions of nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ) or other emissions.	
<b>GRI 400 Social Standards Series</b>			
<b>Employment</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 90; 99; 118	
GRI 401: Employment	401-1 New employee hires and employee turnover	pp. 101-103	
<b>Labor/Management Relations</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 111-112	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	p. 112	
<b>Training and Education</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 90; 112-117	
GRI 404: Training and Education	404-1 Average hours of training per year per employee	pp. 115-116	
	404-2 Programs for upgrading employee skills and transition assistance programs	pp. 115-117	
	404-3 Percentage of employees receiving regular performance and career development reviews	pp. 115-117	

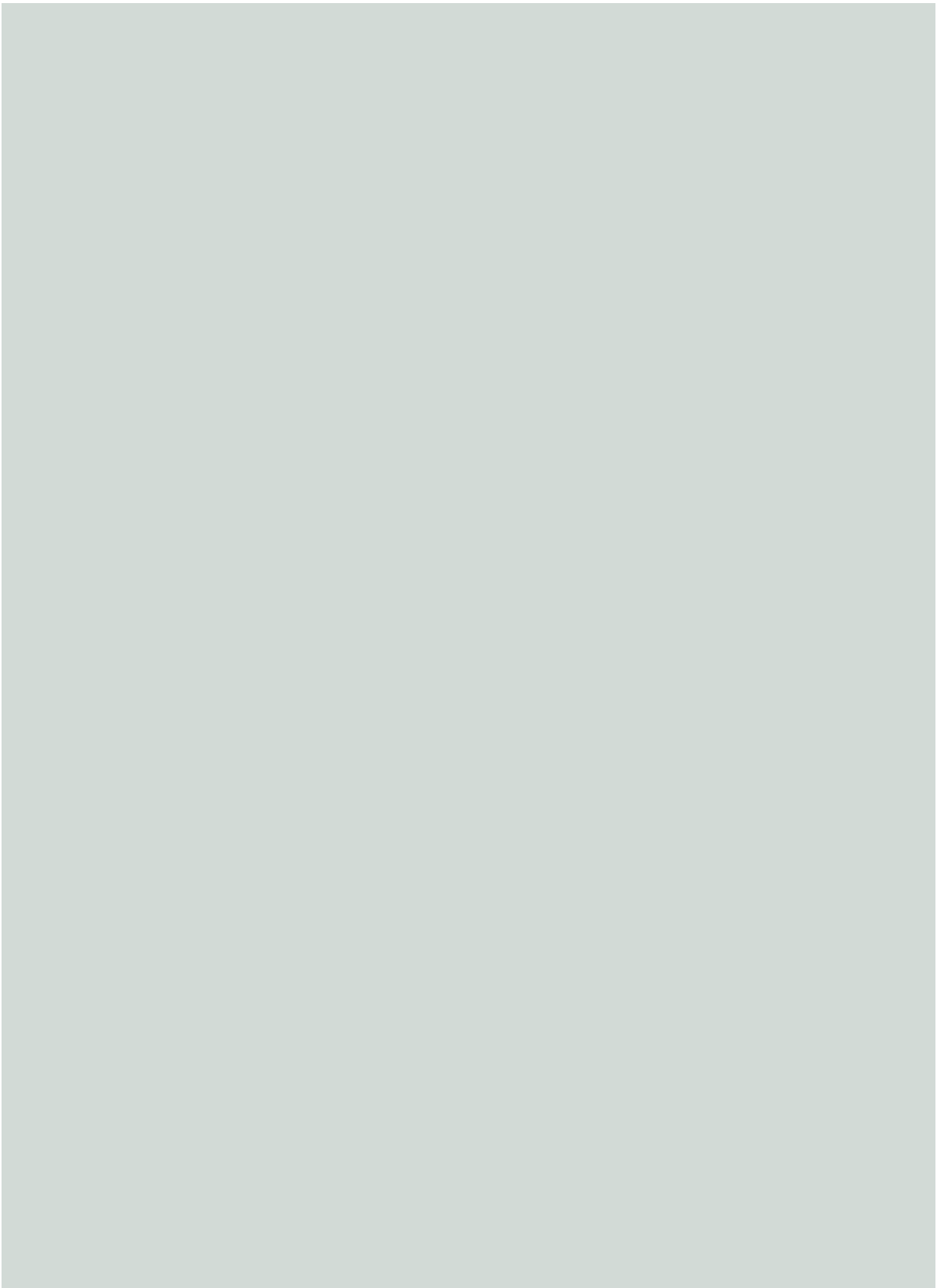
GRI Standard	Disclosure	Page reference	Omission
<b>Diversity and Equal Opportunity</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 104-106; 109-111	
GRI 405: Diversity and Equal Opportunity	405-1: Diversity of governance bodies and employees	pp. 104-106; 109-111	
<b>Public Policy</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	p. 92	
GRI 415: Public Policy	415-1 Political contributions	p. 92	
<b>Customer Privacy</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 89; 96-98	
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	pp. 97-98	
<b>Socioeconomic Compliance</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 98-99	
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	pp. 98-99	
<b>Content Dissemination*</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 89; 95	
M4	Actions taken to improve performance in relation to content dissemination issues (accessibility and protection of vulnerable audiences and informed decision making) and results obtained	p. 95	

GRI Standard	Disclosure	Page reference	Omission
<b>Audience Interaction*</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 89; 95-96	
M6	Methods to interact with audiences and results	pp. 95-96	
<b>Media Literacy*</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 93-95	
M7	Actions taken to empower audiences through media literacy skills development and results obtained	pp. 93-95	
<b>Freedom of expression*</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 92-93	
<b>Portrayal of Human Rights*</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 89; 95-96	
<b>Cultural rights*</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 89; 93-94	
<b>Protection of privacy*</b>			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	pp. 82-85; 138-139	
	103-2 The management approach and its components	pp. 89; 96-98	

\* GRI G4 Media Sector Disclosure

For the Board of Directors  
The Chairman  
Marina Berlusconi





# **INDEPENDENT AUDITORS' REPORT**

**INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND  
ART. 5 OF CONSOB REGULATION N. 20267/2018**

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Arnoldo Mondadori Editore S.p.A. and its subsidiaries (hereinafter "Mondadori Group" or "Group") as of December 31, 2018 prepared on the basis of art. 4 of the Decree, presented in the specific section of the report on operations, and approved by the Board of Directors on March 14, 2019 (hereinafter "NFS").

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

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

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

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

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

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

**Auditor's Independence and quality control**

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

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

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### **Auditor's responsibility**

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

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

Specifically we carried out the following procedures:

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

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

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

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

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

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

### **Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Mondadori Group as of December 31, 2018 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards, with reference to the selection of GRI Standards.

### **Other matters**

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

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DELOITTE & TOUCHE S.p.A.

Signed by  
**Vittorio Camosci**  
Partner

Milan, Italy  
March 27, 2019