



A sustainable commitment

Many initiatives by the Group in 2019. From the art project *Weplanet Milano 2020. 100 globi per un futuro sostenibile* (top left, the launch press conference), to *Insieme per l'istruzione*, a campaign for fair and inclusive access to education (top right); from the participation in the Nudge Global Impact Challenge (centre left), to the reduction of plastic in our locations (centre right, the project team with the new steel water bottles); from *Tutti su per terra*, dedicated to children and the protection of our planet (bottom left), to *Corri con noi*, a training programme open to everyone conceived by *Donna Moderna*.

Consolidated Non-Financial Statement

pursuant to Legislative Decree 254/2016

INTRODUCTION

In accordance with the requirements of Legislative Decree no. 254 of 30 December 2016 (hereinafter also referred to as “Decree”), this Non-Financial Statement (hereinafter also referred to as “Statement” or “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 2019 (1 January-31 December) regarding the most material topics falling in the five areas identified by the Decree. Specifically, the following information is given for each aspect:

- a brief description of the reasons underlying the **materiality** of the non-financial topics reported, the analysis process 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 undertaking's operations, its products, services and business relationships, including the supply chain and the relevant management approaches;
- a brief description of the **policies** adopted by the Company for the related topic;
- a description of the **Management and Organizational Model** adopted by the Mondadori Group to handle material topics;
- a description of the key **performance measures** for understanding the results achieved through the application of such policies. Consistent with the presentation of the business-financial results for 2019, the figures for the subsidiary Mondadori France (sold on 31 July 2019) are shown separately in the section on p. 133.

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

STAKEHOLDER MAPPING

The Mondadori Group decided to renew its stakeholder mapping for 2019.

The first step taken was to update and review the previous stakeholder classification. A necessary effort in order to provide a proper picture of stakeholders in light of the changes that have affected the Company of late; the result is a balance between macro-categories and subclasses, maintaining a high level of detail without making the assessment and mapping process overly complex. Taking the AA1000 Stakeholder Engagement Standard (SES) as a benchmark, an approach has been adopted to:

- identify the three categories of stakeholders that are most relevant for their area of activity;
- indicate, if required, which specific stakeholders are of particular interest among those making up the chosen categories;
- arrange the three categories according to their level of influence, i.e. how a stakeholder can influence the Mondadori Group's business with its activities, decisions, etc.;
- arrange the three categories according to their level of interest, i.e. the interest the Mondadori Group has in relating to a stakeholder;
- identify the level of stakeholder interaction: the ability of a stakeholder category to influence and interact with other stakeholder classes of the Mondadori Group.

All stages of the process, from the identification of stakeholders to interviews for prioritizing the categories and the drafting of the stakeholder map, were carried out by the Sustainability Committee, composed of the main corporate functions, extended in this case to include representatives from all areas of the Company.

Below is the table of stakeholder categories and sub-categories:

Category	Detail
Shareholders	Majority shareholders Non-controlling interests
Financial Community	Analysts/rating agencies Banks Investors
Consumers	Bookstores and newsstands customers Users of online content and services Book readers Magazine readers Students/student families
Institutions	Antitrust Trade associations CONSOB National/Community lawmaker Public Administration
Educational world	Ministry of Education and Research Teachers/educators
Museum world	Museums Superintendencies Museum visitors
Opinion leaders	Authors Influencers and bloggers Media People making the news
Partners	Agents (bookstores - school textbooks) Competitors Newsstands Third-party publishers Suppliers Large retailers Advertisers Booksellers Group publishing brands Our franchisees Digital platforms (OTT + Chili/Infinity/Netflix...)
Human resources	Associates Advisors Employees Trade unions INPS, INAIL
Third sector	NGOs Non-profit organizations

The results of the analysis point to a substantial consensus on the relevance of three categories:

- Human resources
- Partners
- Consumers

These three categories reached the highest level in each of the areas assessed: relevance, influence and interest.

Below is the complete stakeholder mapping:

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This mapping has helped chart a path of steady engagement of stakeholders, starting from the most significant categories. Specifically, the stakeholders involved this year were:

Mondadori Group

CEO and Top Management members
Mondadori Group employees
Members of the Sustainability Committee

External stakeholders

Suppliers
Franchisees

IDENTIFICATION OF MATERIAL TOPICS

The extended Sustainability Committee then reviewed and updated the list of non-financial topics, improving the terminology used to define each area of sustainability and improving the detail of the “specific challenges” that mark each topic and act as a guide in the assessment stage.

The Chief Executive Officer, Top Management and the extended Sustainability Committee were brought in for the assessment of the topics by the Mondadori Group through interviews made.

The process, from the Group’s perspective, included an interview where, in the first stage, the topics were addressed from a qualitative and scenario point of view; a questionnaire was then administered for the prioritization of topics for the Mondadori Group.

This questionnaire was then administered to the entire population of Mondadori Group employees. The response rate was 49%.

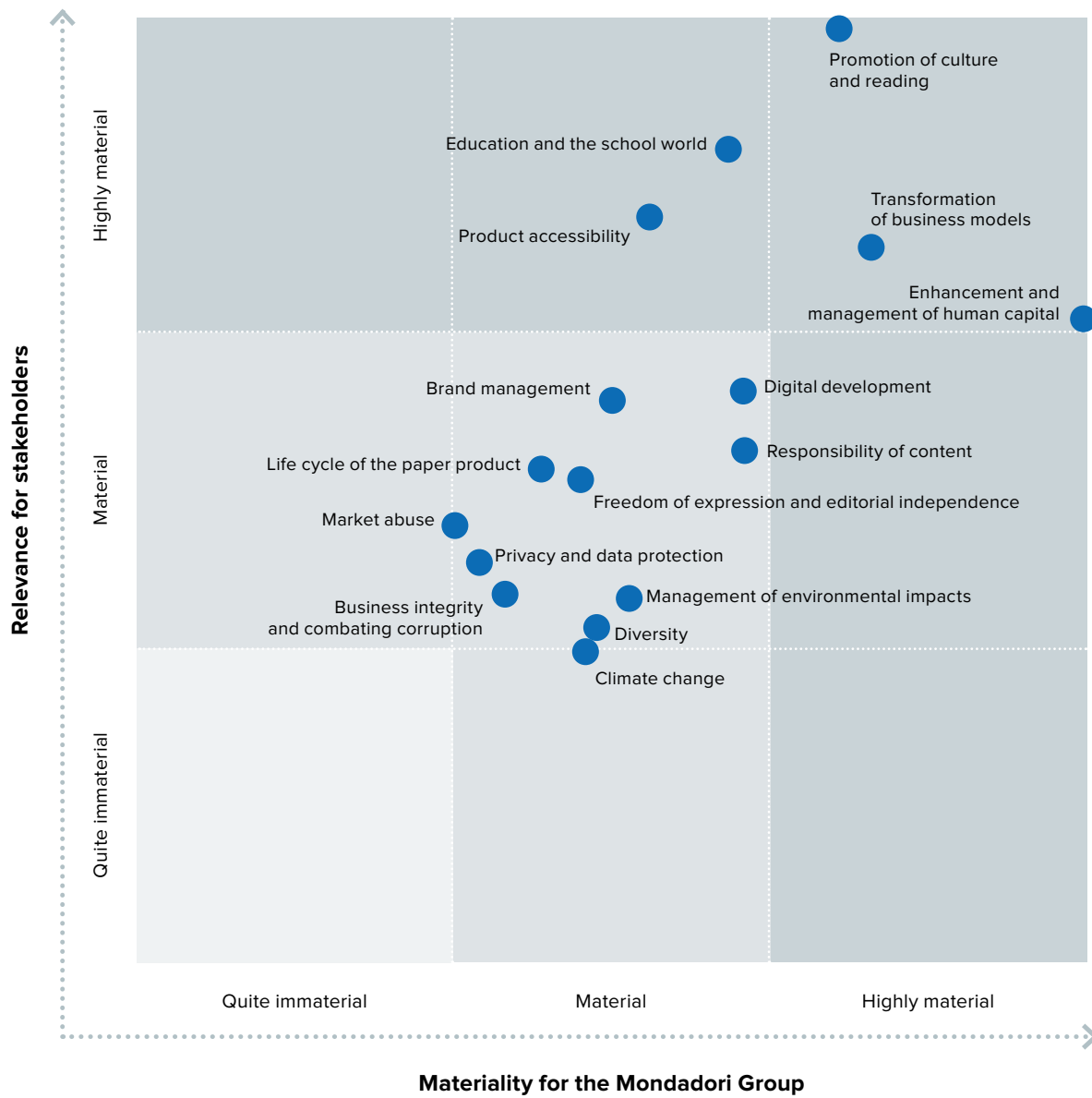
External stakeholders were involved in telephone interviews, answering the same questionnaire administered to the Chief Executive Officer, Top Management, and members of the extended Sustainability Committee, in order to come to an overall result that was comparable and easily translatable into a materiality matrix.

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 by 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 and in the following table.

Materiality matrix



Topics	Specific aspects		
Product accessibility	Effective distribution of products/stores	Digital accessibility	Accessibility for people with disabilities or disadvantaged groups
Brand management	Brand enhancement and reputation	Multi-channel brand deployment	
Life cycle of paper products	Control and cooperation with suppliers in the paper supply chain	Search for innovative and sustainable solutions	
Climate change	Climate change education	Control over climate-altering gas emissions	
Diversity	Promotion of diversity in the company	Attention to inclusiveness, also in products and services	
Digital evolution	Product innovation	Synergy between digital and traditional products	
Management of environmental impacts	Efficiency in energy consumption	Waste management	
Business integrity and combating corruption	Management transparency	Anti-corruption policies and related training activities	Independence of Board members
Education and the school world	Production of quality training tools	Initiatives for the involvement of young people in civil society	Promotion of initiatives to combat early school leaving
Freedom of expression and publication	Enhancement of the diversity of voices in products and services	Intellectual property and copyright protection	
Market abuse	Prevention of anti-competitive practices		
Privacy and data protection	Protection of customer privacy	Protection of children's privacy	Fight against piracy
Promotion of reading and socio-cultural growth	Initiatives to promote reading	Projects to maintain and develop infrastructure in support of reading	
Responsibility for content	Content quality assurance	Content reliability assurance	
Transformation of business models	Ongoing development of business strategies	Ability to intercept business changes	
Enhancement and management of human capital	Training	Work-life balance	Assessment and development of human resources

OUR BUSINESS MODEL

The organizational and management model adopted by the Mondadori Group has undergone deep changes of late to help ensure the economic sustainability of the undertaking in an era of rapid and irreversible change in its markets of operation, changes brought by the general economic crisis on the one hand, and by technological developments in media on the other.

Nevertheless, these changes have not altered the mission and values guiding the day-to-day management of the Group's operations. This is witnessed by the Group's endorsement of the external codes and regulations that shape its governance and control system: *in primis*, the Corporate Governance Code for Listed Companies. In applying an Organizational, Management and Control Model (for the Parent Company and with appropriate versions for each of its Italian subsidiaries), the Mondadori Group has set itself the goal of adopting a set of protocols which, as a supplement to the system for assigning powers and responsibilities, together with the other organizational tools and internal controlling, form a fitting system that can prevent criminal and administrative offences and raise awareness among employees and associates of the rules of conduct to follow when performing their tasks. The Model and its Guidelines are constantly updated and meet the different needs of the companies that are part of the Group.

Both of these documents refer 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 category of stakeholder, 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 associates 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 a breach of contract, entailing the consequences of law, including 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 associates, but is also incorporated into supply agreements, together with the obligation to comply with Community legislation and minimum working age laws.

As a sign of its growing commitment to sustainability, the Group has officially endorsed the more specific policies set out by industry associations, such as the Sodalitas Foundation'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 and parcel of daily work practices and to respond effectively to the new needs brought by the evolution of business.

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

With regard to environmental sustainability, in 2012 the Group adopted an environmental policy designed to reduce the impact from its operations. Such policy has delivered tangible results in terms of major cuts in greenhouse gas emissions and, *in primis*, the growing use of certified paper for its products. Specific operating rules have also been adopted for other issues of lesser or non-material relevance, such as waste management.

In 2017, guidelines for the publication of content and material on Group websites were set out and officially released in February 2018. The guidelines, together with training provided to journalists on copyright and 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. 116-117.

In 2018 the Group approved its Sustainability Policy, reflecting 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 customers with the possibility of benefiting from innovative and quality products.
- Actively promoting a culture that is accessible to everyone, aware that the right to quality education and information 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 the 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.

Lastly, following the introduction in 2019 of the whistleblowing system for reporting unlawful conduct and/or violations of Model 231 and the Code of Ethics, the related procedure was issued and the Model and Guidelines of the Parent Company and of all companies were updated. This was followed by the start of the process on the drafting of an anti-corruption procedure (pending validation in 2020).

MAIN NON-FINANCIAL RISKS

As required by Legislative Decree 254/2016, and as part of the commitment to continuously improve how the impacts of operations are managed, the Mondadori Group identified the main risks, generated or incurred, concerning the five areas identified by law (environment, society, employees, human rights and anti-corruption and bribery) and linked to the undertaking's operations, its products, services and business relationships, including, where relevant, the supply chain.

These risks are the result of an integration of the risks attributable to the five areas identified by the decree already covered by the Group Risk Assessment process and specific internal considerations. From the assessments made, Management judged non-financial risks as not being critical or priority; the risks have, therefore, not been included in the section *Internal Control and Risk Management System* (p. 59 of the *Directors' Report on Operations*).

Risks associated with environmental topics

Climate change is a major issue for all industries, no less so for publishing. In the publishing industry, greenhouse gas emissions are mainly connected with energy consumption, transport (for example, the efficiency and effectiveness of processes in the logistics-distribution or business travel field) and the production cycle of paper products. Growing concern on the part of stakeholders and institutions over climate change could lead to adjustments, in the future, to current legislative provisions governing emissions.

Alongside the risks associated with climate-changing emissions are the risks associated with energy efficiency, which if low could adversely affect economic benefits, and the risks associated with potential interruptions in paper supply. It should also be noted that social and environmental performance is becoming increasingly important in assessing the Company's suppliers.

Main risks	Mitigation measures
Growing pressure from stakeholders and national and international institutions with regard to climate change.	Constant oversight of the issue through 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 effective actions for their reduction.
Loss of opportunities for economic benefits due to reduced effectiveness of energy efficiency measures.	Constant oversight of the issue through continuous monitoring of overall energy consumption, strong focus on the upgrading of IT equipment and identification of energy efficiency measures in workplaces.
Interruptions in the production process due to the shortage of paper as a raw material.	Gradual extension across the Group of the use of FSC and PEFC certified paper.

Risks associated with social topics and respect for human rights

The publishing industry inevitably involves risks associated with human rights (freedom of expression and privacy protection) and with social topics (media literacy, product accessibility), especially given the role that media companies

play in promoting and spreading culture. Such risks can arise from actions taken within the Group, but also action taken by entities outside the Group.

Main risks	Mitigation measures
Critical situations related to potential restrictions on the freedom of expression of authors.	Continuous monitoring of the variety of titles published.
Critical situations related to the publication of editorial content considered sensitive, the loss of customer data and changes in the relevant legislation (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.
Critical situations related 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 where the Group chooses to be a mouthpiece (also together with franchisees).
Growing pressure from the public to distribute quality publications, which are impartial and respectful of diversity.	Continuous improvement in editorial content and product quality.
Changing demands from the audience as regards tools for accessing editorial content.	Monitoring of the accessibility demands of the audience and the ability of the company to respond to such needs.
Critical situations related to the inability by readers to grasp the value of products sold, where suitable instruments are not provided to facilitate a fair understanding of media.	Continuous improvement in initiatives to raise awareness and educate the public as to the need to critically assess and analyze media.
Critical situations related to a potential increase in competitive pressures in relevant markets, which could lead to unfair conduct by competitors.	Constant oversight of the issue through specific training for internal personnel and networking activities with trade associations.

Risks associated with the fight against corruption and bribery

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.

Against this backdrop, even for the Mondadori Group, the risks associated with the infringement of internal rules and relevant laws in force are of priority concern.

Main risks	Mitigation measures
Critical situations related to conduct infringing the laws in force by those 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 (personnel training, selection of non-publishing products bundled with the publications, monitoring of the legal framework, networking with other companies in the sector). Adoption of the whistleblowing procedure, with the relating implementation of an 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. Strong commitment by Top Management to the activities of the Procedures Committee. Drafting of a specific anti-corruption procedure following a specific risk assessment.

Risks associated with personnel management

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 relevant markets and in society, which are necessary to guarantee the financial performance of the Group and its competitive standing.

This is why the Mondadori Group is committed to establishing true dialogue with its people, to encourage a greater understanding of the respective needs and to find solutions to any existing issues.

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

ENHANCEMENT AND MANAGEMENT OF HUMAN CAPITAL

As shown in the 2019 materiality analysis, specifically by the engagement on Mondadori Group employees, the enhancement and management of human capital is considered a priority. The risk analysis on these topics also places emphasis on the need to evolve personnel

in line with the Company's development prospects, encouraging their growth in terms of new skills. Therefore, alongside initiatives for improving the quality of working life and for promoting work-life balance opportunities, the Company has continued its commitment towards creating training and professional development programs consistent with the evolution of its business.

Headcount

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

Employees (no.)	2019	2018	2017
Italy	1,964	2,083	2,228
USA	54	49	47
Total	2,018	2,132	2,275

In addition to the employee headcount, figures are also provided, for Italy, on the average number of temporary workers for the year, divided by business area (temporary worker numbers show seasonal trends, in particular as regards retail and the

Christmas season). The U.S.-based illustrated books publisher, Rizzoli International Publications, does not employ temporary or seasonal workers.

Italy	2019	2018	2017
Temporary workers (no.)			
Corporate	9	14	18
Books	21	33	38
Magazines	15	29	39
Retail	164	84	82
Total	209	160	177

Hires and terminations Italy		2019		2018		2017	
Gender	Age	Number	%	Number	%	Number	%
		HIRES					
Women	< 30 years	25	24%	23	20%	19	17%
	30-50 years	44	42%	39	35%	50	46%
	> 50 years	3	3%	2	2%	2	2%
Total women		72	68%	64	57%	71	65%
Men	< 30 years	12	11%	12	11%	9	8%
	30-50 years	22	21%	31	28%	26	24%
	> 50 years	0	0%	5	4%	3	3%
Total men		34	32%	48	43%	38	35%
Total hires		106	100%	112	100%	109	100%
Turnover rate (new employees)		5.40%		5.38%		4.89%	
		TERMINATIONS*					
Women	< 30 years	14	6%	9	3%	15	5%
	30-50 years	63	28%	84	33%	87	30%
	> 50 years	67	30%	52	20%	48	16%
Total women		144	65%	145	56%	150	51%
Men	< 30 years	7	3%	1	1%	2	1%
	30-50 years	44	20%	60	23%	76	26%
	> 50 years	28	13%	51	20%	64	22%
Total men		79	35%	112	44%	142	49%
Total terminations		223	100%	257	100%	292	100%
Turnover rate (leaving employees)		11.35%		12.34%		13.11%	

* The number of terminations does not include two employees seconded to other companies not part of the Group. As this is a secondment with a clearing entry for costs, the two employees are not included in the total headcount at 31 December 2019

Hires and terminations USA		2019		2018	
Gender	Age	Number	%	Number	%
		HIRES			
Women	< 30 years	4	36%	4	50%
	30-50 years	2	18%	2	25%
	> 50 years	0	0%	-	-
Total women		6	55%	6	75%
Men	< 30 years	2	18%	-	-
	30-50 years	3	27%	2	25%
	> 50 years	0	0%	-	-
Total men		5	45%	2	25%
Total hires		11	100%	8	100%
Turnover rate (new employees)		20.37%		16.33%	
		TERMINATIONS			
Women	< 30 years	5	42%	2	33%
	30-50 years	1	8%	4	67%
	> 50 years	0	0%	-	-
Total women		6	50%	6	100%
Men	< 30 years	2	17%	-	-
	30-50 years	4	33%	-	-
	> 50 years	0	0%	-	-
Total men		6	50%	-	-
Total terminations		12	100%	6	100%
Turnover rate (leaving employees)		22.22%		12.24%	

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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

2019		2018		2017	
Women	Men	Women	Men	Women	Men
62%	38%	62%	38%	61%	39%

Workforce by age

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
< 30	3%	55%	45%	2%	56%	44%	2%	70%	30%
30-50	59%	64%	36%	62%	63%	37%	65%	62%	38%
> 50	38%	59%	41%	36%	60%	40%	33%	59%	41%

Workforce by business area

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Corporate	20%	53%	47%	19%	51%	49%	20%	52%	48%
Books	32%	70%	30%	31%	69%	31%	28%	69%	31%
Retail	18%	60%	40%	18%	59%	41%	18%	59%	41%
Magazines	30%	61%	39%	32%	63%	37%	33%	62%	38%

Workforce by grading, gender and age

Italy

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Executives	5%	24%	76%	4%	22%	78%	5%	23%	77%
Middle managers	13%	54%	46%	13%	53%	47%	13%	53%	47%
White collars	72%	65%	35%	71%	65%	35%	69%	64%	36%
Journalists	9%	71%	29%	11%	74%	26%	13%	71%	29%
Blue collars	1%	17%	83%	1%	15%	85%	0,01%	21%	79%

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Italy

	2019				2018				2017			
	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years
Executives	5%	0%	46%	54%	4%	0%	47%	53%	5%	0%	50%	50%
Middle managers	13%	0%	53%	47%	13%	0%	55%	45%	13%	0%	60%	39%
White collars	72%	3%	65%	32%	71%	3%	68%	29%	69%	3%	72%	26%
Journalists	9%	0%	39%	61%	11%	0%	39%	61%	13%	0%	44%	56%
Blue collars	1%	0%	33%	67%	1%	0%	54%	46%	0.01%	0%	64%	36%

USA

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Executives	7%	25%	75%	6%	33%	67%	28%	31%	69%
Office workers	93%	54%	46%	94%	52%	48%	72%	62%	38%

USA

	2019				2018			
	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years
Executives	7%	0%	0%	100%	6%	0%	0%	100%
Office workers	93%	14%	48%	38%	94%	17%	48%	35%

Workforce by type of contract and geographical area

Italy

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent ¹	99%	62%	38%	99%	62%	38%	99%	61%	39%
Fixed-term	1%	84%	16%	1%	67%	33%	1%	76%	24%

¹ including apprenticeship contracts (in Italy).

USA

	2019			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent	93%	50%	50%	100%	51%	49%	100%	53%	47%
Fixed-term	7%	75%	25%	0%	0%	0%	0%	0%	0%

Workforce by professional category (full time/part time)

	2019			2018			2017		
	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%

Almost 6% of employees (mostly women, 84%) took **parental leave** (a right that extends to all the workforce, regardless of contract type).

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees entitled to parental leave ¹ (no.)	1,244	774	2,018	1,315	817	2,132	1,394	881	2,275
Employees who took parental leave (no.)	98	18	116	98	4	102	93	4	97
Employees returning to work after parental leave (no.)	95	18	113	86	4	90	93	4	97
% returning after parental leave	97%	100%	97%	88%	100%	88%	100%	100%	100%

¹ For consistency with other workforce tables, figures are shown at 31 December; as regards the employees that took parental leave, the total number includes those not appearing in end-of-year headcounts due to terminations/resignations

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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 example, by the increased presence of women in governance bodies over the three years. This translates into careful monitoring of any case 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. A noteworthy initiative in this sense is the training program set up at the

end of 2019 on Diversity Management, Diversity & Inclusion. In its first edition, which will develop in 2020, the program is addressed to women middle managers of the Company to help them bring out the hallmarks and potential of female leadership.

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 the figures on diversity in the Board of Directors, the ratio expressed in percentage of women's remuneration to men's remuneration by position in Italy (figures on Rizzoli International Publications are unavailable), the percentages of staff with disabilities, and the gender distribution of top positions in magazines in Italy.

Board of Directors

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	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<30 years old	-	-	-	-	-	-	-	-	-
30-50 years old	1	-	1	1	1	2	1	1	2
>50 years old	4	9	13	4	8	12	2	10	12
Total	36%	64%	14	36%	64%	14	21%	79%	14

Ratio of basic salary of women to men by category

	2019
Executives	66%
Middle managers	93%
White collars	98%
Journalists	82%
Blue collars	78%

The calculation of the basic salary ratio is based on the average annual gross salary. It should also be noted that in order to calculate the ratio, the basic salary of part-time employees has been re-proportioned in such a way as to make it comparable to that of full-time employees

Ratio of the remuneration of women to men by category

	2019
Executives	63%
Middle managers	91%
White collars	97%
Journalists	82%
Blue collars	78%

Remuneration considers the average annual gross salary as well as any MBO bonuses paid for specific gradings of employees at 31 December. It should also be noted that in order to calculate the ratio, the basic salary of part-time employees has been re-proportioned in such a way as to make it comparable to that of full-time employees

Employees with disabilities

	2019			2018			2017		
	% of total employees with disabilities	of whom % women	of whom % men	% of total employees with disabilities	of whom % women	of whom % men	% of total employees with disabilities	of whom % women	of whom % men
Middle managers	6%	60%	40%	6%	60%	40%	5%	40%	60%
White collars	84%	50%	50%	85%	47%	53%	86%	50%	50%
Journalists	3%	100%	-	2%	100%	-	2%	100%	-
Blue collars	7%	33%	67%	7%	33%	67%	7%	43%	57%
	% of total employees	of whom % women	of whom % men	% of total employees	of whom % women	of whom % men	% of total employees	of whom % women	of whom % men
	4%	51%	49%	4%	48%	52%	4%	50%	50%

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Italian magazines

Top positions

	2019	
	Women	Men
Editors-in-Chief	57%	43%
Deputy Editors-in-Chief	25%	75%

ORGANIZATIONAL DEVELOPMENTS AND INDUSTRIAL RELATIONS

2019 was marked by deep changes affecting the Group's organization as a whole and each of its subsidiaries.

The Company and the trade union representatives, which cover all of the Group companies, engaged in a constant and open dialogue that took place through meetings on specific topics as well as annual corporate events.

All employees in Italy 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.

July 2019 saw the disposal of the Mondadori France subsidiary to Reworld Media, a company listed on the Paris Stock Exchange, digital leader with an international bent. In November, *Confidenze*, *Cucina Moderna*, *Sale&Pepe*, *Starbene* and *Tu Style* were sold to Stile Italia Edizioni, a newly-established company held 75% by La Verità S.r.l. and 25% by Arnoldo Mondadori Editore S.p.A.

Both transactions are part of the strategy to focus on the core books business and to reduce the Group's exposure to magazine operations launched some years ago. To complete this strategic path and as was the case with Mondadori Libri S.p.A. and Mondadori Retail S.p.A., January 2020 saw the creation of Mondadori Media S.p.A., a corporate unit dedicated to the business of print and digital brands. This type of setup, with companies specifically tasked with managing the Mondadori Group's three distinct businesses,

allows for an even more efficient and targeted management of operations, enhancing and taking account of the peculiarities of each business, and is more functional to the achievement of strategic opportunities and partnerships.

With a view to optimizing central functions, in 2019 the administration of Einaudi was transferred to Segrate. The minimum notice periods required by the applicable collective bargaining agreements (30 days for graphics-publishing and 70 days for trade) were respected in all cases of the transfer of business units and/or organizational change, with negotiations launched several months in advance.

The reporting period also saw activities continue on implementing the new company contract covering workers under the graphics publishing collective labour agreement, with the introduction of the single clocking system, fully operational from 1 January 2019, smart working experiments and the design of the welfare platform (operational from 2020).

At Group level, the integrated SAP S/4 Hana business process management system came into full swing at the beginning of the year, helping to adapt and standardize, on the basis of best practices, the business processes that embrace administration, finance and control, and to upgrade the software and management applications used. On the HR front, the HR Portal IT system - where employees can independently manage their relationship with HR administration, from planning and requesting holiday time to updating their data - was implemented with the Travel Portal platform (for managing business travel) and request and search functions for candidates/associates, which will be complemented in 2020 by the new e-learning training platform.

TRAINING AND DEVELOPMENT

The table shows the number of training hours delivered and the number of attendees over the three years in Italy (no training was organized for Rizzoli International Publications employees).

Hours delivered (no.)	2019	2018	2017	Attendees (no.)	2019	2018	2017
Total	17,959	14,323	8,018	Total	1,963	1,139	621

The training programs in Italy adopt a business-oriented approach to provide the necessary skills and tools to effectively cope with the changes in the relevant market and to ensure the development of the Company. Against a backdrop where skills required evolve in sync with the innovations in technology and organization, the Group has developed an integrated and well-structured range of training programs to allow the continuous upgrading of workers' skills, using innovative teaching methods that facilitate learning and motivation.

The overarching objective of all the programs is also to encourage integration of the various business areas in order to improve efficiency, develop synergies and create a shared management style, as well as to develop the necessary distinctive skills of each professional family to anticipate market trends and support business evolution needs.

In 2019, in addition to the existing training programs that were re-run and updated (Digital Academy: 8 new courses on professional upgrading in the marketing area), new training programs were introduced and completed, for a total of approximately 7,600 hours of specialist and managerial training:

- **Digital Academy:** a modular training path targeted to 84 marketing managers and specialists, which addressed the main levers of digital marketing through frontal lectures and action learning sessions where theory and practice intertwine, implementing tools and techniques on projects/activities of each area involved. Specifically, the topics treated in the various modules aimed at introducing the issues of digital transformation in marketing processes, and at providing Google

Analytics and data-driven tools to create and optimize marketing strategies, to analyze data relating to the sites and campaigns developed, and to improve customer journey in website navigation, optimizing conversion rates.

- **HR Academy:** a 5-day training program for 21 resources from the Group's HR and Organization Department, aimed at encouraging a rethinking of the HR role at Mondadori, enabling the function to become a strategic player and a change driver for the Group. The closing modules focused on influencing and team effectiveness behavioural skills, and the change management tools and skills that enable the HR Department to steer the Group's transformation and innovation process.
- **Academy Editor:** a modular path addressed to approximately 80 editorial managers and junior editors, with both external and internal trainers. The modules offered during the year developed distinctive professional skills such as editorial scouting, and technical skills relating to tools and knowledge regarding the book production chain: from acquisition to creative publishing, and from economics to sales management.
- **Smart working experiments:** training course built around 5 meetings addressed to 50 smart workers and their managers, aimed at providing the skills to the players involved for the introduction of smart working in the Company. The topics ranged from corporate culture to the agile organization facilitating smart working, the new mindset, the managerial skills that foster a new agile way of working such as delegation, trust, and sense of responsibility. Lastly, more technical issues such as regulatory and privacy aspects and training on safety in domestic environments were addressed.
- **Office:** workshops on Office applications at various levels (basic, intermediate, advanced) to develop

knowledge and improve the effectiveness of using Excel, Power Point and Gsuite programmes. Four pilot classes were set up, with 40 attendees in total, to test the methodology and assess the average levels of knowledge in the company, and to be able to properly plan the mass training scheduled for 2020.

- **LeaderMe path:** managerial training program addressed to 45 managers (N-2 level), aimed at developing their personal effectiveness by empowering each individual vis-à-vis their own growth path. The program was divided into 3 training modules aimed at transferring tools and techniques to act effectively in one's managerial role. The second and third modules offered during the year focused on people management (the relationship between motivation, skills and performance, with particular focus on giving feedback and being a manager coach) and team management (dedicated to the informed reading of conflict/cooperation dynamics within the Company, in interfunctional/process relations, in work teams and design thinking as an approach to innovation).
- **Lean Six Sigma path (with Green and Black Belt certification):** this is the second step in the project aimed at achieving the following targets: generating commitment in Top Management and sharing the key factors for a long-term Lean Six Sigma program that generates successful results and active cultural change; creating champions who are able to steer and support improvement projects and to form a team with Lean Six Sigma certified skills that can implement improvement projects in synergy with the targets envisaged in the Group's business plan. The aim of the program is to spread across the company the culture and bent for continuous improvement in the management of business processes in order to motivate, promote and

facilitate development and innovation, maximizing the effectiveness and efficiency of recurring tasks. The course, addressed to 15 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.

The training plan of the Academy system is complemented by language training (over 1,200 hours delivered both traditionally, with frontal lessons in the classroom, and in blended mode, i.e. through digital platforms) and training on safety in the workplace, delivered both in the classroom and in e-learning mode. 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 (182 people in total), while safety training (general and specific) delivered in e-learning mode involved approximately 1,500 people including employees, temporary workers and interns.

Hours delivered (no.)	2019	2018	2017	Attendees (no.)	2019	2018	2017
Ad hoc training	7,595	11,786	5,057	Ad hoc training	423	866	226
Executives	1,556	2,017	4	Executives	49	42	1
Middle managers	1,687	2,838	-	Middle managers	97	132	-
White collars	4,308	5,373	160	White collars	273	566	40
Journalists	44	1,558	4,893	Journalists	4	126	185
% hours delivered to women	57%	56%	76%	% women	65%	67%	78%
% hours delivered to men	43%	44%	24%	% men	35%	33%	22%
Language courses	1,263	1,042	600	Language courses	46	40	20
Executives	219	354	450	Executives	8	13	15
Middle managers	382	66	120	Middle managers	10	4	4
White collars	180	20	30	White collars	6	1	1
Journalists	482	602	-	Journalists	22	22	-
% hours delivered to women	80%	65%	35%	% women	76%	68%	35%
% hours delivered to men	20%	35%	65%	% men	24%	32%	65%
Safety training	9,101	1,495	2,361	Safety training	1,494	224	375
Executives	226	-	72	Executives	38	-	7
Middle managers	1,090	84	148	Middle managers	180	14	19
White collars	6,859	1,351	2,141	White collars	1,123	202	349
Journalists	870	40	-	Journalists	144	5	-
Blue collars	56	20	-	Blue collars	9	3	-
% hours delivered to women	62%	51%	59%	% women	62%	53%	58%
% hours delivered to men	38%	49%	41%	% men	38%	47%	42%
Total hours of training delivered	17,959	14,323	8,018	Total attendees	1,963	1,130	621
Executives	2,001	2,371	526	Executives	95	55	23
Middle managers	3,159	2,988	268	Middle managers	288	150	23
White collars	11,347	6,744	2,331	White collars	1,402	769	390
Journalists	1,396	2,200	4,893	Journalists	170	153	185
Blue collars	56	20	-	Blue collars	9	3	-
% hours delivered to women	61%	56%	68%	% women	63%	65%	65%
% hours delivered to men	39%	44%	32%	% men	37%	35%	35%

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Average hours of training per capita (no.)	2019	2018	2017
Total	9.14	6.88	3.60
Women	8.98	6.23	3.99
Men	9.41	7.92	2.98
Executives	20.42	24.44	5.21
Middle managers	12.06	11.03	0.90
White collars	7.98	4.58	1.52
Journalists	8.21	9.61	17.48
Blue collars	4.67	1.54	-

In the frame of the development, skills improvement and transition assistance programs, and in changing the characteristics of the business, following the previous experiences on roles and skills mapping on a number of business units and/or regarding certain professional families (e.g. journalists), a similar mapping process has extended to the entire Group since end 2019, feeding the HR Portal platform adopted at end 2018 for the online management of all aspects related to employment relationship. The aim is to organize the tree of professional families, sub-families and roles within the Mondadori Group and to draw up job profiles, understood as the set of responsibilities and the resulting technical and soft skills needed to play the role in line with the relating mission. The creation of such a job system allows a more effective management of people in every step of the employee life cycle. Through rationalization, 20 professional families, 52 sub-families and 183 roles have been surveyed so far at Group level. In 2019, job profiles were also developed for 87 roles belonging mainly to corporate. The activity will continue in 2020 focusing on the definition of job profiles in the professional families of the business areas.

In 2019, skill/potential assessment campaigns continued for 60 other middle managers (N-3) conducted by specialists through tests, interviews, individual and collective simulations, and calibration with managers. As in 2018 for senior management (N-2), the initiative aims to: bring to light the strategic and operational skills of managers; identify people with present and future potential to shape the Company in the coming years; identify the gaps on which to focus individual and collective intervention plans. Clearly addressed to middle management, the skills measured are, again, those of the Mondadori leadership model, defined taking account of the Group's new and necessary challenges to enable the transformation and innovation process required. As planned, this process will continue in 2020 on 60 other middle managers.

Lastly, an integrated system of initiatives with an impact on the entire professional family of senior managers (LeaderMe for 41 N-2 level managers) was developed, as well as ad hoc

individual development plans to promote, in self-empowered mode, the management development of 41 senior managers and 60 middle managers, starting from the skills and potential gaps identified during assessment and consistent with the company's targets, innovation challenges and ongoing transformation processes. As part of the development plans, the tools made available through framework agreements are: in-person coaching; online coaching; attendance in inspirational events on business evolution.

Workplace safety and prevention

The Group Safety Coordination Unit is the body set up by the Parent Company to oversee and coordinate activities aimed at implementing the legal requirements, providing guidelines, and monitoring the planning and discharge of annual obligations:

- regular meetings: 6 regular safety meetings were scheduled for 31 retail stores and 14 Group sites, involving the employers (or their delegates) of the respective companies, health and safety managers and health and safety officers, 17 workers' safety representatives, and 7 competent medical officers;
- on-site workplace inspections: in 2019, competent medical officers carried out workplace inspections at 18 Group sites;
- evacuation drills: in addition to the testing of emergency plans in the retail stores, the safety officers of the Mondadori Group sites coordinated annual evacuation drills involving all personnel. Feedback received on the drills was then used to identify and formalize the actions needed to improve emergency procedures.

In implementing the range of activities planned, special attention was paid in 2019 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.

The occupational health service was guaranteed by the San Raffaele Resnati Hospital: the competent medical officers appointed by their respective employers visited 538 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 filing of medical reports and documents, to fulfil statutory requirements under the laws and regulation in force, and to handle training aspects. Following the initiative launched last year, while not required by regulations, AEDs (automated external defibrillators) were also installed inside Poles 1 and 2 of Segrate: 13 first-aiders joined the 14 volunteers previously trained in 2018, attending the BLSD (Basic Life Support and Defibrillation) course.

Welfare and benefits

With the entry into force of the new Company agreement covering the staff under the graphics publishing collective labour contract, effective tools for work-life balance were adopted, such as smart working, successfully tested in 2019, as well as family support measures, with the aim of providing better conditions to combine work and family needs. Special attention was paid 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' paid leave has been increased to 10 days. In cases of serious illness too, the period of respite is suspended with a view to job retention.

The agreement also provides for the establishment, over 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. The platform for the management of the result bonus

and all other offers made available - Company agreements, conventions and Cral initiatives - will be up and running in 2020.

In 2019, the common areas of the Segrate headquarters underwent some renovation, with the opening of the Temporary Shop (used by external exhibitors), the new bookstore and the start of renovation work on the bar (to be completed in early 2020).

Internal communications

The activities carried out by the Communications and Media Relations Department also include communication addressed to employees and associates, developed on most of the channels of the Mondadori Group's communication ecosystem. Aside from purely operational factors, the involvement of personnel helps to offer the overall picture of the Company and its development, as well as strengthen the sense of belonging.

The main instrument is the company Intranet, "Network", where employees can learn of internal developments and access company information and services. In 2019, a project was launched to revamp the company Intranet in association with Università Cattolica del Sacro Cuore (specifically with a group of students from the Faculty of Psychology - Master's Degree in Marketing, Organization and Communication, as part of the Vocational Experiences program). The project developed in the first half of the year with the creation of focus groups (roughly 40 employees from each area of the Company) to analyze the current architecture of the Intranet and the innovation needs of the tool; the results were incorporated in a questionnaire administered to the entire Company population by direct mail. The results of the survey, involving approximately one thousand people, led to the final project on the new service communication site, scheduled for release in 2020.

Further company population engagement activities - through networks, e-mail blasts and monitor communication - regarded the survey on canteen satisfaction and the questionnaire on the sustainability of the Mondadori Group (see p. 84). Other channels used to inform and involve

employees and associates include Agorà, the 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, and webinars. 80 events were organized in 2019.

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

From a broader communication perspective, which transcends the traditional distinction between external and internal communication, the use of the Group's social accounts in 2019 saw the development of two main projects hinged on Mondadori's people, to cast a spotlight on the many professional facets in the Company: the work teams (on Facebook and Instagram), and the take over, a day's work at Mondadori chronicled by an employee (on Instagram).

PROMOTION OF READING AND SOCIO-CULTURAL GROWTH

The dissemination of culture and ideas is part of the Mondadori Group's mission and is ingrained in its products and services. It forms not only the basis of its business activity, but permeates the very logic underlying the creation of its offer to the public. As a result, it also gives shape to a great many initiatives, either sector-specific or specific to the Group, which aim to bring a wider and wider audience closer to reading and information.

Ever since the first edition (2015), the Company has taken part, with its chain of local bookstores and its publishing houses, in **#ioleggoperché**, the major national event for the promotion of reading organized by AIE (Italian Publishers' Association), now in its fifth edition in 2019. The generosity shown by the Italians, who donated, through the 2,400 participating bookstores, approximately 300,000 volumes to the libraries of the 15,000 schools twinned with the bookstores, goes hand in hand with the donations made by the publishers, who contributed 100,000 other books to infancy, primary, first- and second-level secondary schools. Additionally, the Group regularly donates books to school and municipal libraries, located in prisons or welfare facilities.

Other initiatives to promote reading among young people include: **Alunni in libreria**, reading workshops for nurseries to lower secondary schools hosted in Mondadori stores; **Leggendo Leggendo**, a site of reading paths covering current and universal topics, from bullying to diversity, from friendship to solidarity which, in its new version at the end of 2019, bridges the production of fiction and non-fiction for children and the school textbook production of the Group's publishing houses.

Alongside the presentation of books on the ground - in bookstores and major Italian literary exhibitions, approximately 6,000 meetings in 2019 - the Mondadori Group is also committed to the media culture of younger generations with the **Focus Junior Academy** initiative. Conceived in 2018 from the previous experience developed by *Focus Junior*, a monthly magazine for children and teens, with the competition for schools *Diventa giornalista*, **Focus Junior Academy** is the educational workshop for primary and secondary schools, which aims to make the world of publishing

and journalism known and appreciated by children. Every week during the school year, two classes, accompanied by their teachers, are hosted by the magazine's editorial staff at the Segrate headquarters in a journalism workshop that covers the key steps in creating a print or online magazine with the relating social channels: the meeting of the editors, the roles of the journalists, the rules for writing articles, the treatment of sources and recognition of fake news, the selection of images and the creation of titles.

In order to involve a wider audience spanning from children and young people to adults, the monthly magazine *Focus* has been organizing, since 2018, **Focus Live**, a science dissemination festival held in Genoa, Trento and Milan in 2019, with generous schedules of meetings, discussions and workshops on the most compelling themes for the future of mankind and our planet, to chronicle the great challenges that humanity faces today and the tools to overcome them.

Lastly, an initiative worth mentioning is the work around the *Nuovo Devoto-Oli*, a dictionary of the Italian language, whose 2020 edition (available from September 2019) addresses the great attention attached to environmental issues last year. Printed on certified paper and enriched with the latest entries on environmental issues (from plastisphere to plogging, from carbon free to guerrilla gardening), the trendiest environmental terminology (from climate change to ecoskeptic, from ecotax to ecobusiness), or the words "green", which have taken on a completely new meaning thanks to climate issues (from sustainable to circular economy), the **New Devoto-Oli 2020** goes hand in hand with two environmental sustainability projects: an agreement with Treedom to breathe life in Sicily into the forest *Gli alberi delle parole*, with the planting of 200 pomegranate trees, each of which will be registered, photographed and monitored thanks to geolocation; besides fostering biodiversity, the project will also help the children from Associazione Ulisse suffering from autism spectrum disorders; together with their tutors, they will support local farmers in caring for the forest; a competition for schools aimed at raising the awareness of the younger generations to respect the environment; a language and environmental education initiative involving students and teachers (primary and first and second level

secondary schools) in the creation of works and videos dedicated to environmental sustainability and climate change. The prize: trees to be planted in the gardens of the winning classes.

EDUCATION AND THE SCHOOL WORLD

As another side of the same coin, the issue of education, while linked more to school publishing, hinges on assumptions and objectives that are similar to those of promoting reading and socio-cultural growth. Indeed, the two activities of the Books segment (Trade, which oversees bookstore production, and Educational) are increasingly linked in common and cross-cutting initiatives.

A project worth mentioning is **Insieme per l'istruzione**, conceived by the Group's trade publishing houses on the occasion of the year-end holidays. The project's objective is the fourth UN Sustainable Development Goal (Quality, Equitable, Inclusive and Accessible Education for All) and, in its first edition, it supported Action Aid in the construction of two school buildings in Ethiopia. In 2019, the production of Rizzoli Educational also focused on Agenda 2030, with the introduction of educational elements related to the UN Sustainable Development Goals in the texts meant for primary and first- and second-level secondary schools.

These same issues receive much emphasis in **Formazione su misura**, the rich educational catalogue made available to schools and teachers by both the Group's school publishing houses, Mondadori Education and Rizzoli Education, hosting a generous calendar of local-based meetings and webinars.

RESPONSIBILITY FOR CONTENT

The Mondadori Group is committed to providing accurate, meticulous and truthful information through its editorial products - books, magazines, websites and digital media/products - while respecting the tastes and sensitivity of the general public.

In the creation of content for miscellaneous book production (i.e. production intended for bookstores), the guiding principle is the possibility of offering the widest range of voices, ideas, and expressions; the publisher acts, in this case, as a vehicle for the authors, who are the true “owners” responsible for the published work. They are given the widest possible freedom of expression, but where necessary, legal audits are made on content that may be deemed defamatory.

Content auditing and conformity is, instead, paramount in school textbooks production, as it is linked to ministerial guidelines on curricula and didactics.

Lastly, in the magazine and web segment, content responsibility is ensured by the organization of the editorial offices and the hierarchy of text approval, as well as by the Consolidated Act on Journalist Duties.

Additionally, in order to directly verify readers' appreciation of the Group's magazines and to gather ideas for improvement, each year surveys are conducted on representative samples. In 2019, surveys were conducted for *Focus* (on the occasion

of the relaunch of the monthly magazine and monitoring of three consecutive issues six months later) and *Tv Sorrisi e canzoni* (monitoring of five issues of the weekly magazine, one every month for five consecutive months), as well as a further eleven market surveys for other titles or groups of titles.

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

The Mondadori Group's digital communication strategy at the corporate level hinges on an integrated and consistent ecosystem that leverages on the potential of a range of physical and online channels: the corporate website and social media, the corporate Intranet and monitors in the locations, the multi-purpose area Agorà and Wikipedia, internal and external media. Each social channel has a specific editorial plan outlined, which addresses ad hoc communication goals:

- showing life inside the Company and the people who work there by involving employees (Instagram, Facebook, LinkedIn);
- narrating books avoiding overlaps with publishing houses (Twitter, Instagram Stories, LinkedIn);
- enhancing the spontaneous relationship of employees with Palazzo Mondadori (Instagram).

The Mondadori Group has a total of 150 social profiles (most of them linked to individual product brands) for a total of approximately 31 million fans.

FREEDOM OF EXPRESSION AND PUBLICATION

Editorial independence

The Parent, Arnoldo Mondadori Editore S.p.A., is a company listed on the Milan Stock Exchange. The share capital at 31 December 2019, 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.

Relevant investments

Shareholder	% Interest in share capital at 31/12/2019
FININVEST S.P.A.	53.3%
SILCHESTER INTERNATIONAL INVESTORS LLP	12.4%

In 2019, the Group received - from Italian Public Administration, Italian and foreign bodies and private individuals - just over € 331,000, of which € 100,970 from the ownership of the Segrate offices (Generali Real Estate Sgr S.p.A.) for building renovation; € 146,502 in training grants and € 83,600 in grants for publishing projects.

The Group did not receive any other subsidies from PA-like entities or associations, or from other entities, associations, NGOs, non-profit organizations or private individuals. The US subsidiary did not receive any grants or subsidies from Public Administration or from private individuals in the 2017-2019 three-year period.

Grants received (€)	2019	2018	2017
	331,072	706,080	1,233,892

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

As Italy's leading publisher of books, the Mondadori Group is constantly 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 wide range 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. In the panorama of new titles published in 2019, the environmental topic takes centre stage, in terms of number of titles, starting with Greta Thunberg, the activist who has dominated the debate on climate change; Mondadori has published her two books: *La nostra casa è in fiamme* and *Nessuno è troppo piccolo per fare la differenza*. The problem involving the impact of human activities on our planet and the possible solutions to mitigate its

effects is treated by climatologist Luca Mercalli with *Il clima che cambia* and by Andrea Segré, professor of International Agricultural Policy and founder of *Last Minute Market* with *Il metodo spreco zero* (both Rizzoli), from a collection of case stories and pointers to save the world from plastic *SPAM - Stop plastica a mare*, by Filippo Solibello, host of the radio show on Radio 2 *Caterpillar* and founder of the awareness initiative *M'illumino di meno* (published by Mondadori). The call for individual responsibility and for understanding the importance of small daily gestures within everyone's reach starts with the initiative of the character Geronimo Stilton and his *Piccolo libro della terra* (Piemme) in association with WWF: a project involving primary school classes with drills and workshops.

The international economic perspective of the environmental issue is covered by Jeremy Rifkin in *A Global Green New Deal* (Mondadori), which postulates the collapse of fossil fuel civilizations by 2028 and suggests an innovative and environmentally friendly economic plan spearheaded by the Millennials.

The debate on the issue also finds its way in university textbooks with *Economia dell'ambiente*, the political economy title by Maria Carmela Aprile and Bruno Chiarini (Mondadori Università).

The discussion on legality and the ramifications in the social fabric of our Country is addressed by Paolo Itri in *Il monolite. Storie di camorra di un giudice antimafia* (Piemme), Giovanni Tizian in *Atlante illustrato di Cosa Nostra* (Rizzoli) and Roberto Di Bella together with Monica Zapelli in *Liberi di scegliere* (Rizzoli), a first-person account of the juvenile judge from Reggio Calabria and his fight to free young people affiliated to the 'ndrangheta from criminal clutches.

The news stories and the ensuing political clashes take centre stage in Franco Manzitti's *Cronaca di un crollo annunciato* on the collapse of the Morandi bridge in Genoa, and *Grandi operette* by Marco Ponti, head of the cost-benefit analysis of 5 major infrastructure projects, including the Turin - Lyon high-speed railway network (both Piemme); Pablo Trincia, with *Veleno* (Einaudi), dissects a case of minors abducted from their families in the Modenese area in the '90s that has inevitably echoed the events that took place in Bibbiano. Two titles are dedicated to the web and its contradictions: *Il lupo furbo e il cavallino bullo* by Christian Stocchi (Rizzoli), who

explains to children how the web works and how to protect themselves against cyberbullying, and Matthew Hindman's *La trappola di Internet* (Einaudi), which explores the twistings of the digital economy on markets and democracy.

Two Einaudi non-fiction titles deal with the rising in Italy too of nationalistic sentiments and their influence on today's politics: *Contro l'identità italiana* by Christian Raimo and *La politica senza politica* by Marco Revelli.

The fiction and non-fiction section is ever generous in production, for readers young and old, dedicated to women and their struggle for achievement in the world: the many titles include the novel by Melania G. Mazzucco *L'archittrice* (Einaudi), which tells the true story of Plautilla Bricci, painter and architect of seventeenth-century Rome, and the self-help manual *Un branco di lupe. Smettetela di essere Cappuccetto rosso* (Mondadori), written by US soccer player Abby Wambach.

Witness of the identity crisis that often besets minorities - ethnic, religious, cultural - is Tommy Orange's debut novel, *Non qui, non altrove* (Frassinelli) on the complicated lives of Native Americans.

PRODUCT ACCESSIBILITY

In offering quality content to a widely differing audience base, the Mondadori Group takes heed of the demands originating in the changes in society, the use of technology, and the removal of once critical language and geographical barriers. The desires and expectations of the customer play an increasing role in every sector, but particularly so in publishing: the participatory dimension of consumption and the instant interaction with the end user have disrupted the way we create and distribute products.

Even when it comes to content creation, the user can play a role in 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.

One must listen and take heed, for better or worse, of suggestions, complaints and requests coming 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 does not suffice: 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 user indications, and to promote their accessibility to an increasingly wide audience with extremely diversified needs.

Each activity of the Group follows dynamics deriving from the type of product or service, the channels available and implementable, and the behaviour of its customers.

As far as trade books are concerned, forecasts on the dissemination of e-books have not been confirmed so far and the Italian market does not seem likely to expand further; audio books too remain somewhat restrained in our Country at the moment. Nonetheless, new titles by all the Group's publishing houses are published in traditional print format, in digital format (for all new titles), and in the audio books channel (through third-party companies and on a limited number of titles).

On the other hand, digital production in the school textbooks segment is highly developed and constantly evolving, yet access by teachers and students to such content remains limited, due partly to a technological backwardness of school facilities.

Additionally, textbooks production is focused particularly on inclusive teaching. 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.

In the retail segment, the integration of physical and digital services for the customer plays a crucial role, together with the distribution of points of sale throughout the territory and their size; the new strategy developed in 2019 will see significant improvements in this sense in the coming year.

The strategy of magazine and digital operations in a vertical perspective, based on which an all-round multi-channel system can be developed around

each brand, is the best proof of how product accessibility can be an important opportunity for service to users as well as a business lever. One such example is the weekly magazine *Donna Moderna*, which developed in 2019 a series of additional initiatives and services, in a system that is already highly articulated, to connect even with widely divergent audiences. It is a development of the 2018 project on women's empowerment *Donne come noi*, book, play and training path based on the telling of outstanding stories on women. The magazine continued presenting the relevant training workshops on the ground and in business locations, complementing them with a series of podcasts with compelling women's stories on a number of broader themes such as the fight against the mafia, scientific research, sport, and architecture.

TRANSFORMATION OF BUSINESS MODELS

The Group keeps a watchful eye on the changes in its markets of operation, and aims to seize further opportunities for development after a necessary strategic repositioning of its businesses.

While the trade books market appears steadier, with few significant discontinuities, the school textbooks segment is affected more by external factors: on the one hand, the possibility that institutions, as governments change, alter the current adoption system and the curricula of the different levels; on the other, the changes may come from a renewal of the teaching class and a more detailed survey of the various types of learning difficulties. These last two situations have already starting appearing in a way, with teachers requesting simplified texts and learning tools.

But the most striking and impactful transformation of the business model was witnessed in the magazines business: after a number of years of necessary changes to the Group's activities in order to guarantee their sustainable development, in 2019 the process was completed with the creation of Mondadori Media S.p.A. (operational from 1 January 2020), the subsidiary dedicated to the business of brands from a print and digital perspective. As for Mondadori Libri S.p.A. and

Mondadori Retail S.p.A., which oversee book publishing activities and the chain of stores respectively, the creation of Mondadori Media has completed the setup of companies covering the three distinct businesses of the Mondadori Group, allowing an even more efficient and targeted management of operations, enhancing the peculiarities of each of them. Mondadori Media is a social multimedia company that focuses on people, their passions and interests, connecting them: from the magazine's community of readers, to social gatherings, events and physical experiences on the ground. Each system gravitates around a brand leader in its specific segment, spread over several channels (print, digital, social and local), and able to reach vast audiences despite its specificity.

Brand management

The issue of brand management should also be considered in this perspective: an approach that transcends, but does not ignore, the idea of protecting the Company's intangible assets, but which aims to explore their further potential and is inevitably tied to the actions taken to increase product accessibility.

DIGITAL EVOLUTION

Closely related to the transformation of business models, the issue of digital evolution has steered the strategic path undertaken by the Mondadori Group, especially in the magazines business and, obviously, for the range of content and services offered on the web.

A noteworthy project in this field is **uARe**, a new tool for augmented reality content creation. The platform was developed thanks to funding from Google's Digital News Initiative's Innovation Fund, awarded to the monthly magazine *Focus* and developed in association with technology partner Magma; the solution is built on a platform for the development and page layout of AR content in the cloud and a customizable mobile application where each customer can enjoy interactive and immersive experiences. The platform innovates the augmented reality market and lends itself for

use in various fields, from publishing to education, and from retail to communication and events.

PRIVACY AND PERSONAL DATA PROTECTION

Privacy and personal data protection, a material topic for the Mondadori Group, are fundamental elements for the undertaking as a whole, in which each company is committed to ensuring that the collection and processing of personal data is performed in accordance with the principles and applicable laws.

In pursuing its business, therefore, since 2017 the Mondadori Group has implemented a process of adaptation, updating its internal tools and procedures to ensure full compliance with Regulation (EU) 2016/679 ("GDPR"), with Legislative Decree 196/03 ("Data Protection Code") as subsequently amended by Legislative Decree 101/2018, and with the indications and provisions issued by the Data Protection Authority. Specifically, the Group has put in place new disclosures provided to interested parties and new contractual models; it has adopted a series of procedures updated to the new legislation - in the areas of data retention, privacy by design and by default, data protection impact assessment, data breach, feedback to interested parties and the appointment of data processors pursuant to and for the purposes of Article 28 of the GDPR; it has identified and appointed the Data Protection Officer for entire Mondadori Group as a whole, formalized on 14 March 2018 by the Board of Directors of the Parent Company and then endorsed by each subsidiary.

The websites of each Mondadori Group company all have privacy and cookie policies available for consultation, which are kept constantly updated. The www.mondadori.com website also features a section that illustrates the personal data management policies implemented by the entire Mondadori Group.

With regard to the protection of personal data, with a view to continuing and improving the process of compliance with the privacy legislation established

by the GDPR and national legislation, in 2019 the Mondadori Group carried out a number of activities. These include:

- the adoption of a tool for the daily, constant computerized management by data controllers and the DPO unit of data processing registers;
- the updating of previous Data Protection Impact Assessments (DPIA) and the performance of specific DPIAs for new processing activities that may pose risks to the rights and freedoms of the individuals involved;
- the updating of existing security measures, and the adoption of new ones, aimed at preventing the loss of personal data and any data breaches and data incidents;
- the updating of the disclosure formats provided to interested parties in accordance with Articles 13 and 14 of the GDPR;
- the performance of a compliance audit - conducted externally - on the processing of personal data of customers and potential customers as part of the sales and marketing activities carried out and managed by Mondadori Retail S.p.A., aimed at assessing the degree of compliance of the company's privacy management system with the GDPR, as well as with internal company procedures;

- the organization of preliminary/ancillary activities for the training on privacy issues of Mondadori Group employees, aimed at raising awareness of the correct daily management of personal data in the workplace;
- the preparation of an annual report by the Data Protection Officer, submitted to the Board of Directors of the Parent Company on 30 July 2019 and distributed to all delegated controllers and members of the boards of statutory auditors of the subsidiaries.

In 2019, the Mondadori Group handled numerous requests for the exercise of rights by data subjects, including, in particular, requests for access to and the deletion of personal data.

In 2019, Arnoldo Mondadori Editore S.p.A. suffered a breach of personal data, reported by external parties and assessed by the GDPR Risk Committee of the Mondadori Group as being minor, with a risk level for those concerned deemed as low. The company informed the Data Protection Authority of the incident and reported the remediation measures taken; the Authority considered it unnecessary to take any action.

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Source of complaints (no.)	2019	2018	2017
Supervisory bodies	-	-	-
External parties	1	4	-
Total	1	4	-
Losses or theft of customer data	1	-	-

With regard to Rizzoli International Publications, no privacy or data loss complaints were reported in the three-year period.

BUSINESS INTEGRITY AND COMBATING CORRUPTION

Within the management and control system of the Mondadori Group, the Organizational, Management and Control Model and the rules of conduct of the Model - in the various versions prepared for each company and all constantly updated - represent a reasonably effective system for guaranteeing business integrity and the fight against corruption in all the businesses and areas of the Group.

With regard to 2019, and generally over the period 2017-2019, no cases of corruption or bribery involving employees or suppliers in Italy were found to have occurred, and no legal action was initiated or completed against the Group or its employees for alleged corruption.

In 2019, following the introduction of the whistleblowing system, both documents were

updated for all companies. Training on the new Organizational, Management and Control Model is planned for 2020.

With regard to the whistleblowing system, implemented to carry out and handle reports relating to alleged or actual illegal conduct, relevant pursuant to Legislative Decree 231/2001, and alleged or actual violations of Models 231 and/or the Code of Ethics adopted by Group Companies, in full respect and protection of the whistleblower and the reported person, no reports were received in 2019.

Penalties

Penalties paid in 2019 amount to approximately € 263 thousand for financial penalties relating to sentences.

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Monetary penalties (Euro/million)	2019	2018	2017
Tax penalties	-	0.03	0.03
Economic penalties	0.26	0.23	0.73
Total	0.26	0.26	0.76

In order to provide greater transparency to stakeholders, the Group set up a filing system for non-monetary penalties at the beginning of 2012. Examples of non-monetary penalties include the publication of rulings.

In 2019, no cases were reported.

Non-monetary penalties	2019	2018	2017
Number of cases	-	1	2

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

MARKET ABUSE

Following the adaptation of the procedure on inside information made in 2016 in compliance with Regulation (EU) no. 596/2014 on Market Abuse Regulation, the Mondadori Group has strengthened its control over the way it oversees, manages and circulates corporate documents and information internally, the way it communicates inside information to the market and the public in accordance with the applicable provisions of law and regulations, and the audits on the register of persons with access to inside information.

The control system is complemented by the internal dealing procedure that regards the disclosure obligations towards CONSOB, the Company itself and the market of all transactions - of an amount equal to or higher than € 20,000 and in any case of all subsequent transactions, regardless of the amount, once a total of € 20,000 has been reached within a calendar year - carried out on financial instruments issued by the Company, on derivatives and related financial instruments by members of Mondadori's governing or supervisory bodies, managers who have regular access to inside information and who are empowered to take decisions that may affect the outlook and prospects of the Mondadori Group and persons closely associated with them.

Over the three-year period, no legal actions were initiated against the Mondadori Group for anti-competitive behaviour, violations of antitrust regulations or monopoly practices.

MANAGEMENT OF ENVIRONMENTAL IMPACTS

The Mondadori Group has always attached great importance to environmental issues, especially as regards the life cycle of paper products, energy efficiency, and the reduction of climate-changing emissions. The relevance of these issues for the Group is tied primarily to the main environmental impacts of its operations, in relation mainly to the consumption of paper and energy and the distribution of products.

The Group's firm commitment to managing these aspects is underpinned by the 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.

Generally speaking, sustainability matters, and hence issues connected with environmental impacts, are referred to the Sustainability Committee (see *Governance System*, pp. 144-145), which in 2012 prepared a Company environmental policy, published on the Mondadori Group corporate website (www.mondadori.com/sustainability/environmental-protection). The policy outlines the Group's commitment and targets for reducing its environmental footprint and provides the framework for the setting of Group strategy and target areas for environmental action.

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

As in the rest of the NFS, the figures referring to the scope of continuing operations are shown (Italian consolidated companies and Rizzoli International Publications); Mondadori France figures are shown in a separate section (p. 133).

Life cycle 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, on a smaller scale, 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 starts 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 paper products 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 2019, the total amount of paper purchased for the printing of editorial products in the scope of continuing operations (Italy and the United States) amounted to approximately 66,155 tonnes (-6% versus 2018). 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 require that paper is certified by the FSC or PEFC, the two main certification schemes adopted worldwide, in order to gradually increase the percentage of certified paper used over time.

Italy

The table shows paper consumption by type of paper (certified, traditional and recycled) for the 2017-2019 period.

In the three-year period, the breakdown by type of paper shows a constant reduction in the use of traditional paper (0.01% of the total versus 2.1% in 2017) in favour of certified paper (99.98% of the total versus 97.9% in 2017).

Total printing paper

Type of paper	2019		2018		2017	
	tonnes	%	tonnes	%	tonnes	%
Certified	62,643	99.98%	67,325	99.94%	73,573	97.9%
Recycled	5	0.01%	32	0.05%	37	0.0%
Traditional	7	0.01%	11	0.02%	1,578	2.1%
Total	62,655		67,367		75,188	

USA

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 its international markets of operation, the company has not attached much significance so far to 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. Based on estimates, in 2019 approximately 80% of paper used is certified, up from last year (approximately 45% in 2018). Accordingly, paper consumption estimates for 2017-2019 are shown below; the increase in consumption shown is explained by the higher number of copies printed.

Total printing paper¹

	2019	2018	2017
Tonnes	3,500	3,249	2,849

¹ Figures on RIP 2017, 2018 and 2019 paper consumption are 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 figures appearing in the purchase invoices

Logistics and the end of life of editorial products

The Mondadori Group's distribution logistics takes 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 of the logistics processes include both direct shipping to the destination points of the relating 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 associated environmental impacts. Specifically, in 2019, regarding the Italian scope, a total of just over 3,220 tonnes of renewable packaging materials (wood and cardboard) was consumed, while non-renewable packaging materials (polyethylene, polypropylene and expanded polystyrene foam) amounted to 366 tonnes (-6% versus 2018). Figures on material consumption used for shipping are unavailable for Rizzoli International Publications.

Magazines - Italy

Logistics for the Magazines Italy Area 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 newsstands channel only. All Press-di operating processes, including transport management, are outsourced to a network of qualified suppliers. In 2019, over 64,800 tonnes of product were transported, entirely by road transport (with the additional use of ship 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 2019 this process was applied to approximately 42.4 million copies, using 174 tonnes of cellophane wrapping, approximately 114,638 pallets (equal to 687 tonnes of wood), and 32 tonnes of film;
- primary transport: from distribution logistics centres (Melzo, Verona and, since 2019, Rome) to local distributors (approximately 51 private businesses in 2019);
- 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;
- transport 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 shows consumption figures for materials used in the transport of magazines to newsstands.

Raw material (tonnes)	Detail	Press-di		
		2019	2018	2017
Wood	Pallets ¹	687	2,103	2,168
Cardboard	Cardboard boxes and packaging materials	-	-	-
Polyethylene	Film	206	268 ²	295
	Package filling	-	-	-
	Pallet covers	n.a.	n.a.	n.a.
Polypropylene	Tape	n.a.	n.a.	n.a.
	Strapping	n.a.	n.a.	n.a.
Expanded polystyrene foam	Filling of packages with polystyrene	-	-	-

¹ The downward trend in 2018-2019 is explained by the availability of more detailed information on the average weight of wooden pallets for 2019.

² The figure on film in 2019 and 2018 was estimated on the basis of consumption in 2017

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

The lower operating costs (from the gradual reduction in transported weights) run parallel to the proportional reduction in emissions from the use of transporters. Added to that 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 shows the estimated CO₂eq emissions from the transport of magazines from the distribution logistics centres of Verona, Melzo and Rome to local distributors in the three-year period 2017-2019 (the Rome distribution logistics centre was added in 2019). In 2019, these emissions

increased by 7.3% versus 2018, from 5,378 tonnes to 5,769 tonnes of CO₂eq respectively.

CO₂eq emissions from primary transport

	2019	2018	2017
tCO ₂ eq ¹	5,769	5,378	5,806

¹ Primary transport emissions have been calculated taking into consideration the greenhouse gases CO₂, CH₄, N₂O

Emission factors used

Transport of magazines	Source 2019	DEFRA: 2019 UK Government GHG Conversion Factors for Company Reporting	0.80 kgCO ₂ eq/km
	Source 2018	DEFRA: 2018 UK Government GHG Conversion Factors for Company Reporting	0.81 kgCO ₂ eq/km
	Source 2017	DEFRA: 2017 UK Government GHG Conversion Factors for Company Reporting	0.81 kgCO ₂ eq/km

With regard to the management of returns, Mondadori has a particularly high local pulping rate, thanks to the incentives spearheaded 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 2019, local pulping amounted to approximately 18,860 tonnes for magazines (-12% versus 2018) and approximately 10,820 tonnes for newspapers (+20% versus 2018). Currently, out of the 51 local distributors used by Press-di, 48 guarantee certified returns (versus 59 out of 62 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 gradually 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 figures 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 storage and decides when to pulp the product.

Returns Trade books (no.) ¹	2019	2018	2017
Copies	12,788,000	9,925,000	10,391,000
Packages	399,000	325,000	332,000
Shipments	43,900	35,200	35,700

¹ Figures on pallets and shipments are based on estimated 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 textbooks publishing

In 2019, Mondadori Education distributed approximately 6.56 million textbooks and teachers' guidebooks. In 2019, 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 textbooks 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, reaching just under 130 destinations; lastly, the promoters are in charge of delivering or shipping the sample books to teachers. Mention should be made in this sense of 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 print sample books;
- starting in May and, with varying intensity, up until the end of October, Mondadori Education restocks the retail distribution points for the sales campaign, reaching approximately 20

destinations. Additionally, 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 a number of top accounts and approximately 800 bookstores with university texts and L2 books (Italian as a foreign language).

Although returns are less frequent for school textbooks, total returns in this segment came to approximately 669,000 copies in 2019.

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 7,500,000 copies were distributed in 2019, while returns amounted to 1,450,000 (both figures refer to sale copies and to classroom trial copies).

Bookclub

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

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

E-commerce

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

The table below shows consumption figures for materials used in the transport of Trade Books and school textbooks.

Materials consumption for Trade Retail books and school textbooks¹

		Verona and Stradella logistics hub		
Raw material (tonnes)	Detail	2019	2018	2017
Wood	Pallets	802	1,523	921
Cardboard	Cardboard boxes and packaging materials	1,050	1,316	1,121
Polyethylene	Film	60	39	73
	Package filling	15	8	13
	Pallet covers	36	4	3
Polypropylene	Tape	9	22	6
	Strapping	25	11	9
Expanded polystyrene foam	Filling of packages with polystyrene	15	38	15

¹ The figure for 2017 relating to package filling materials, pallet covers and strapping refers to Trade Books only; the figures for Mondolibri are unavailable

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 has acted as a baseline for raising internal awareness about possible policies for the reduction of greenhouse gases generated by its operations. In this regard, the Group has already launched a number of projects to cut its emissions, both in 2019 and in the past. These include 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 the environmental impact*, pp. 129-132). This section looks at the environmental impact of the Mondadori Group's operations on global warming. It shows and explains the figures on 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 2019 amounted to approximately 32,900 tonnes of CO₂ (-8% versus 2018). Total electricity consumption in 2019 amounted to 13,165 MWh (47,394 GJ, -4.1% versus 2018), while natural gas consumption amounted to 428,985 m³ (15,144 GJ, +7% versus 2018). The Group does not purchase energy from renewable sources.

Italy

Greenhouse gas emissions from 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)	2019	2018	2017
Direct (Scope 1) - CO ₂ eq	848	801	1,013
Energy indirect (Scope 2)			
<i>location-based - CO₂</i>	<i>4,617</i>	<i>4,840</i>	<i>5,870</i>
<i>market-based - CO₂eq</i>	<i>6,266</i>	<i>6,453</i>	<i>7,374</i>
Other indirect emissions (Scope 3) - CO ₂	25,951	28,534	33,691
<i>Emissions from paper production</i>	<i>24,435</i>	<i>26,947</i>	<i>32,331</i>
<i>Emissions from business travel</i>	<i>1,516</i>	<i>1,587</i>	<i>1,360</i>
Total emissions - CO₂	31,416	34,175	40,574

Location-based Scope 2 emissions are shown in tonnes of CO₂; however, the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO₂eq), as inferred from the relating technical literature

Scope 3 emissions linked to paper production are shown in tonnes of CO₂, as the source used does not report the emission factors of other gases than CO₂. Total emissions are calculated according to the location-based approach and are shown in CO₂ as the share attributable to other gases (CH₄ and N₂O) is immaterial

Emission factors used¹

Electricity (location-based)	Source 2019: Terna international comparisons on Enerdata figures (2017 figures)	359 gCO ₂ /kWh
	Source 2018: Terna international comparisons on Enerdata figures (2016 figures)	360 gCO ₂ /kWh
	Source 2017: Terna international comparisons on Enerdata figures (2015 figures)	359 gCO ₂ /kWh
Electricity (market-based)	Source 2019: AIB, (2019) European Residual Mixes 2018	487 gCO ₂ eq/kWh
	Source 2018: AIB, (2018) European Residual Mixes 2017	480 gCO ₂ eq/kWh
	Source 2017: AIB, (2017) European Residual Mixes 2016	471 gCO ₂ eq/kWh
Natural gas	Source 2019: NIR ISPRA	1.976 kg of CO ₂ /m ³
		1.978 kg of CO ₂ /m ³
	Source 2018: NIR ISPRA	0.00008571 kgCH ₄ /m ³ 0.00003428 kgN ₂ O/m ³
	Source 2017: National standard parameters published by the Ministry for the Environment and Land and Sea Protection (2017)	1.964 tCO ₂ /1.000 stdm ³ and 55.897 tCO ₂ /TJ
Paper production	Source 2019: Key Statistics 2018 of the Confederation of European Paper Industries (CEPI)	0.39 tCO ₂ /t paper
	Source 2018 and 2017: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 tCO ₂ /t paper

¹Figures relating to business travel are disclosed through specific reports by the various travel agencies used by the Group

Direct (Scope 1) GHG emissions derive from the consumption of natural gas for the heating of offices, stores, and warehouses and fugitive emissions from air conditioning units. The figure for fugitive

emissions is not available for 2019. For such reason, Scope 1 emissions derive exclusively from natural gas consumption. Natural gas consumption figures are accurately measured.

Natural gas - Italy	UoM	2019	2018	2017
Natural gas consumption	m ³	428,985	402,420	515,584
	GJ	15,144	14,139	18,115

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 (2019, 2018, 2017). 2017 figures contain estimates as the final consumption figures are unavailable

In Italy, the Group's gas consumption increased by 7% versus 2018, from 402,420 m³ to 428,985 m³ in 2019, due mainly to the irregular weather conditions in May.

Energy indirect (Scope 2) GHG emissions derive from electricity consumption, which is sourced from the national electricity grid for the use 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	UoM	2019	2018	2017
Total electricity purchased from national grid	MWh	12,860	13,445	15,655
	GJ	46,295	48,401	56,358

2017 figures contain estimates as the final consumption figures are unavailable

The trend in electricity consumption in Italy has been steadily falling over the past three years: the approximately 18% reduction between 2017 and 2019 is due partly to the energy saving measures and actions implemented over the year (see *Initiatives to reduce the environmental impact*, pp. 129-132).

Other indirect (Scope 3) emissions consist of emissions from paper production operations (see *The raw material: the paper used to print editorial products*, pp. 120-121) and business travel by employees. Emissions from the paper production cycle totaled approximately 24,435 tonnes of CO₂ in 2019, down versus the prior year as a result of the declining consumption of paper (-9%).

Alongside emissions from paper consumption, emissions are associated with business travel by company personnel, mainly for the purposes of: meeting customers, 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 means of transport.

Emissions by means of transport	2019
Train	9.4%
Company car	26.0%
Car rental	0.7%
Plane	63.9%

As in prior years, company cars and air travel, being powered by fossil fuels, accounted for the biggest share of CO₂ emissions from business travel.

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

USA

Figures relating to greenhouse gas emissions from operations run by Rizzoli International Publications refer to energy indirect (Scope 2) emissions and other indirect (Scope 3) emissions.

GHG emissions (tonnes)		2019	2018	2017
Energy indirect (Scope 2) - CO ₂				
	<i>location-based</i>	125	117	231
	<i>market-based</i>	125	117	231
Other indirect emissions (Scope 3) - CO ₂		1,365	1,300	1,225
Total emissions		1,490	1,416	1,456

Scope 2 emissions are shown in tonnes of CO₂; however, the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO₂eq), as inferred from the relating technical literature

Scope 3 emissions linked exclusively to paper production are shown in tonnes of CO₂, as the source used does not report the emission factors of other gases than CO₂

Currently unavailable are the figures on fugitive emissions from air conditioning equipment for measuring direct (Scope 1) GHG emissions, and those on emissions from business travel.

Emission factors used

Electricity (<i>location-based and market-based</i>)	Source 2019: Terna international comparisons on Enerdata figures (2017 figures)	411 gCO ₂ /kWh
	Source 2018: Terna international comparisons on Enerdata figures (2016 figures)	421 gCO ₂ /kWh
	Source 2017: Terna international comparisons on Enerdata figures (2015 figures)	455 gCO ₂ /kWh
Paper production	Source 2019: Key Statistics 2018 of the Confederation of European Paper Industries (CEPI)	0.39 tCO ₂ /t paper
	Source 2017 and 2018: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 tCO ₂ /t paper

Total emissions of Rizzoli International Publications increased by 5% in 2019 versus 2018, due mainly to the increase in paper production.

	UoM	2019	2018	2017
Total electricity purchased from national grid	MWh	305	277	508
	GJ	1,099	997	1,830

Electricity consumption for RIP in 2017 and 2018 has been estimated on the basis of the spend on electricity, as more detailed consumption figures are unavailable

The 2019 figures are estimated on the basis of 2018 electricity consumption per employee, as details of energy consumption for 2019 are unavailable

INITIATIVES TO REDUCE THE ENVIRONMENTAL IMPACT

Waste

The commitment to reducing the environmental impact also applies to waste produced. Given the specific business of the Mondadori Group, only a

small part of waste produced by special products falls in the “hazardous” class. Segrate, the only site at the moment where the amounts of waste disposed of can be accurately measured, saw an increase between 2019 and 2018 of approximately 2 tonnes in the production of hazardous waste, due to the disposal of obsolete electrical and electronic office equipment.

Waste	2019		2018		2017	
Segrate head office	tonnes	%	tonnes	%	tonnes	%
Hazardous	2.738	1.14%	0.771	0.4%	0.793	0.4%
Non-hazardous	238.158	98.86%	199.73	99.6%	211.135	99.6%
Total	240.896		200.5		211.9	

With a view to continuous improvement, a project was launched in 2019 to eliminate plastic waste at work sites, with tighter control over the correct disposal and the introduction of drinking water and beverage dispensers at the Segrate canteen, and the elimination of bottled drinks and plastic glasses, replaced by steel water bottles for all employees (of all sites) and washable and reusable glasses.

Additionally, account was taken of the quantities of plastic and paper disposed of at the Segrate site, which amounted to over 5 and 105 tonnes respectively in the period May - December 2019.

Energy saving initiatives in 2019

2019 was a year of renewed focus on energy saving, especially at the Segrate head office. The initiatives shown below are those planned in 2018 and partly implemented in 2019, the benefits of which will be fully felt in 2020. Other initiatives are currently in the pipeline or being assessed and planned.

All sites (Italy)

Among the measures taken to reduce the environmental impacts of Group offices and stores, efforts have been made in recent years to raise awareness of the responsible use of toners 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 32%. Toners have also witnessed a decrease in the three-year reporting period, thanks to the replacement in 2018 of all the printers at the Italian sites, including the directly-managed stores, with new all-in-one printers - printer, scanner and photocopier - which, together with print quality and the possibility of printing on any machine at the sites, guarantee a strong reduction in energy consumption and consumables (paper and toners).

Toner and printing paper consumption (offices)

Raw material (tonnes)

	2019	2018	2017
Paper for printouts	61	72	90
Toners for printouts	1	2	3

Segrate head office

- Completion in November of the splitting of the induction system on the main building, south side, through sectioning of the 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 per half floor. Annual savings are estimated at approximately 6,000 m³ of gas and 30,000 kW.
- Replacement in June of the north well pump with a new inverter pump to reduce water and electricity consumption at nighttime and in winter, with consumption proportional to actual needs, while still ensuring a minimum constant flow to the lake. Annual savings are estimated at approximately 28,000 kWh, while the reduction in groundwater use is estimated at approximately 250,000 m³/year.
- Replacement in March of the north tower well booster pumps with new inverter pumps to reduce water and electricity consumption, with consumption proportional to actual needs. Annual savings are estimated at approximately 7,000 kW.
- Following the construction of the new bookstore in autumn, the old central air treatment systems were replaced by new VRV autonomous systems with heat recovery units on the outdoor air renewal, resulting in greater comfort and flexibility linked to the actual use of the spaces and energy saving.
- The project shared with the Municipality of Segrate and Fondazione Porcinai saw the

redevelopment of the green areas surrounding the headquarters with:

- the felling of 108 Italian poplars;
- 183 plantings, of which 85 Italian poplars (auditorium row, west lakefront side and woods), 48 lime trees (east parking lot sporting side) and 50 trees donated to the Municipality of Segrate. Once the work was completed, the area's tree heritage increased by over 60%, respecting the park's design and existing species.
- For both Palazzo Niemeyer and Cascina Tregarezzo, the electrical energy monitoring system was upgraded in accordance with Legislative Decree 102/2014. The system allows to split energy consumption based on use (conditioning, motive power, lighting, auxiliary devices), crucial for implementing new saving measures.

Florence offices

Following a preliminary design by the Group's Real Estate, the property replaced the old existing chiller and removed the heating plant by installing a new high-efficiency heat pump machine. The work allowed the total closure of the gas contract - approximately 11,000 m³/year - and the related emissions into the atmosphere. The new machine - up and running since the end of June - is fitted with freon gas with lower environmental impact and inverter motors, reducing electricity consumption in summertime.

Initiatives planned or in the pipeline for 2020

Segrate head office

- Project laid out and quotations requested 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, with a view to energy saving, increased comfort and high system flexibility, also allowing a diversified use per half floor.
- The next forthcoming stage involves the replacement of the south well pump with a new inverter pump to reduce water and electricity consumption at nighttime and in winter, with consumption proportional to actual needs, while still ensuring a minimum constant flow to the lake. Work will be completed with a power-assisted valve on the outlet to the lake to keep the pressure steady, enhancing the installation of the inverter on the two well pumps.
- In the planning and request for quotations stage for the installation of inverters on multi-purpose well booster pumps. The initiative aims at reducing the consumption of water and electricity proportional to actual needs.
- In the planning and request for quotations stage is the installation of a new geothermal unit for the treatment of technical environments such as the UPS battery room, the documentation centre and the control room. This initiative is needed to replace machines that are no longer in operation,

but at the same time it helps create a system that offers greater efficiency and reduced electricity consumption.

- In the planning and request for quotations stage is the installation of inverters on well pumps, in order to reduce water and electricity consumption proportional to actual needs.
- Gradual replacement of external lamps (in the car park and along walkways) with new LED technology.
- Arrangements laid out for the decommissioning of the underground gas station tanks. By the end of 2020, the tanks will be removed and the surrounding area reclaimed.

Reducing the impact of business travel

The Mondadori Group has been committed for some years now to reducing emissions from business travel related to its Italian operations. In 2019, the size of the Group's car fleet in Italy remained unchanged and shows a slight decrease in terms of emission class: with regard to the breakdown of vehicles in "emission classes", 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 2019, 50% of the car fleet consisted of class A and B vehicles (52% in 2018), with a slight increase in vehicles with less virtuous emission classes (D).

Mondadori car fleet

Type (no.)	2019	2018	2017
Owned cars	0	0	0
Rental cars	112	112	130
Total	112	112	130

In 2019 too, no class F and G cars were reported in the fleet.

Type (no.)	2019	2018	2017
CLASS A - less than or equal to 100 gCO ₂ /km	13	16	19
CLASS B - from 101 to 120 gCO ₂ /km	43	42	44
CLASS C - from 121 to 140 gCO ₂ /km	31	31	37
CLASS D - from 141 to 160 gCO ₂ /km	14	8	12
CLASS E - from 161 to 200 gCO ₂ /km	11	15	18
CLASS F - from 201 to 250 gCO ₂ /km	0	0	0
CLASS G - more than 250 gCO ₂ /km	0	0	0
Total	112	112	130

Average of emission classes (in grams of CO₂ equivalent)

2019	127	C
2018	127	C
2017	128	C

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In 2019, the average emissions per km remained unchanged at 125 gCO₂/km.

Average CO₂ emissions per km (in grams of CO₂eq)

2019	125	C
2018	125	C
2017	126	C

MONDADORI FRANCE

As mentioned in the introduction, the French subsidiary Mondadori France S.a.s., publisher of print and digital magazines, was sold on 31 July 2019 by the Mondadori Group to the French media group Reworld Media.

Below are the figures for Mondadori France at 30 June 2019.

ENHANCEMENT AND MANAGEMENT OF HUMAN CAPITAL

Headcount

Employees (no.)	1H19	2018	2017
Employees	691	743	751
Pigistes	359	371	386

Hires and terminations*		1H19		2018		2017	
Gender	Age	Number	%	Number	%	Number	%
		HIRES					
Women	<30 years old	2	40%	6	25%	5	16%
	30-50 years old	2	40%	7	29%	7	23%
	>50 years old	-	-	-	-	5	16%
Total women		4	80%	13	54%	17	55%
Men	<30 years old	-	-	4	17%	4	13%
	30-50 years old	1	20%	6	25%	8	26%
	>50 years old	-	-	1	4%	2	6%
Total men		1	20%	11	46%	14	45%
Total hires		5	100%	24	100%	31	100%
Turnover rate (new employees)		0.72%		3.23%		4.13%	
		TERMINATIONS					
Women	<30 years old	1	2%	2	4%	3	5%
	30-50 years old	18	38%	14	29%	21	32%
	>50 years old	9	19%	10	21%	18	28%
Total women		28	60%	26	54%	42	65%
Men	<30 years old	-	-	1	2%	1	2%
	30-50 years old	14	30%	14	29%	16	25%
	>50 years old	5	11%	7	15%	6	9%
Total men		19	40%	22	46%	23	35%
Total terminations		47	100%	48	100%	65	100%
Turnover rate (leaving employees)		6.80		6.46%		8.66%	

* Hires and terminations by Mondadori France do not include fixed-term employment contracts (*Contrat à Durée Déterminée* - CDD; nevertheless, turnover rates have been calculated considering all employees at the end of each year, for 2017 and 2018, and at 30 June 2019, for consistency with the other tables. Hires 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

1H19		2018		2017	
Women	Men	Women	Men	Women	Men
63%	37%	63%	37%	62%	38%

Workforce by age

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
<30 years	4%	72%	28%	4%	65%	35%	3%	72%	28%
30–50 years	51%	65%	35%	53%	65%	35%	56%	63%	37%
>50 years	45%	59%	41%	43%	60%	40%	40%	61%	39%

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Workforce by business area

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Corporate	25%	60%	40%	25%	59%	41%	25%	58%	42%
Magazines	58%	60%	40%	58%	61%	39%	57%	61%	39%
Digital	3%	64%	36%	4%	62%	38%	4%	60%	40%
Advertising	14%	77%	23%	13%	77%	23%	14%	76%	24%

Workforce by grading, gender and age

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Cadres	38%	68%	32%	38%	67%	33%	39%	66%	34%
Employés	11%	77%	23%	11%	76%	24%	11%	77%	23%
Journalistes	51%	56%	44%	51%	57%	43%	50%	57%	43%

	1H19				2018				2017			
	Total	<30 years old	30-50 years old	>50 years old	Total	30-50 years old	30-50 years old	>50 years old	Total	30-50 years old	30-50 years old	>50 years old
Cadres	38%	6%	53%	41%	38%	5%	56%	39%	39%	3%	59%	37%
Employés	11%	7%	40%	53%	11%	6%	43%	51%	11%	6%	54%	40%
Journalistes	51%	1%	53%	46%	51%	2%	54%	45%	50%	3%	54%	43%

Workforce by type of contract

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Permanent	96%	62%	38%	95%	62%	38%	97,1%	62%	38%
Fixed-term	4%	71%	29%	5%	79%	21%	2,9%	86%	14%

Workforce by professional category (full time/part time)

	1H19			2018			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Full time	93%	62%	38%	94%	62%	38%	95%	61%	39%
Part time	7%	76%	24%	6%	79%	21%	5%	82%	18%

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Parental leave

	1H19			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees entitled to parental leave ¹ (no.)	433	258	691	467	276	743	469	282	751
Employees who took parental leave (no.)	4	4	8	11	9	20	7	11	18
Employees returning to work after parental leave (no.)	4	4	8	10	9	19	7	9	16
% returning after parental leave	100%	100%	100%	91%	100%	95%	100%	82%	89%

¹ For consistency with other workforce tables, figures are shown at 30 June 2019 and 31 December 2018 and 2019; it should be noted that, as regards the employees that took parental leave, the total number includes those not covered by the end-of-period headcounts because of terminations/resignations

Industrial relations

All employees in France are covered by collective bargaining agreements.

The minimum notice periods required by collective bargaining agreements for the introduction of operational changes (1 to 2 months depending on whether length of service is more or less than 2 years for journalists and white collars, and up to 3 months for middle managers) were respected, as were legal terms for the involvement of trade union representatives.

DIVERSITY

The following tables show the percentage ratio of women's remuneration to men's remuneration by qualification and the percentages of the workforce with disabilities.

Remuneration

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	1H19	2018	2017
Cadres	83%	82%	84%
Employés	102%	100%	101%
Journalistes	93%	91%	92%

Employees with disabilities

	1H19			2018			2017		
	% of total employees with disabilities	of whom % women	of whom % men	% of total employees with disabilities	of whom % women	of whom % men	% of total employees with disabilities	of whom % women	of whom % men
Cadres	20%	50%	50%	25%	-	100%	10%	-	100%
Employés	20%	-	100%	13%	-	100%	30%	-	100%
Journalistes	60%	50%	50%	62%	40%	60%	60%	50%	50%
	% of total employees with disabilities	of whom % women	of whom % men	% of total employees with disabilities	of whom % women	of whom % men	% of total employees with disabilities	of whom % women	of whom % men
	1%	40%	60%	1%	25%	75%	1%	30%	70%

Training and development

Training programs at Mondadori France are organized in three groups (ad hoc professional, language, and workplace safety), with plans lasting two or three years. In the first half of 2019, training

courses set up under the 2018-2019 plan continued on digital marketing, management (for those taking on new management functions in the period), advertising storytelling, and the plan to develop language skills in English and Italian.

Hours delivered (no.)	1H19	2018	2017	Attendees (no.)	1H19	2018	2017
Total	1,910	7,074	6,532	Total	131	381	405

Hours delivered (no.)	1H19	2018	2017	Attendees (no.)	1H19	2018	2017
Ad hoc training	790	5,868	4,934	Ad hoc training	72	302	328
Cadres	341	3,467	2,691	Cadres	40	210	146
Employés	24	562	204	Employés	2	29	14
Journalistes	425	1,839	2,039	Journalistes	30	63	168
% hours delivered to women	51%	74%	67%	% women	68%	67%	66%
% hours delivered to men	49%	26%	33%	% men	32%	33%	31%
Language courses	967	1,034	1,283	Language courses	43	54	47
Cadres	710	871	865	Cadres	31	41	34
Employés	138	54	205	Employés	5	5	4
Journalistes	119	109	214	Journalistes	7	8	9
% hours delivered to women	80%	75%	79%	% women	84%	78%	74%
% hours delivered to men	20%	25%	21%	% men	16%	22%	26%
Safety training	153	172	315	Safety training	16	25	30
Cadres	104	77	124	Cadres	9	11	14
Employés	7	21	55	Employés	1	3	4
Journalistes	42	74	136	Journalistes	6	11	12
% hours delivered to women	50%	63%	54%	% women	69%	64%	60%
% hours delivered to men	50%	37%	46%	% men	31%	36%	40%
Total hours of training delivered	1,910	7,074	6,532	Total attendees	131	381	405
Cadres	1,155	4,415	3,679	Cadres	80	262	194
Employés	169	637	464	Employés	8	37	22
Journalistes	586	2,022	2,389	Journalistes	43	82	189
% hours delivered to women	65%	74%	69%	% women	73%	69%	66%
% hours delivered to men	35%	26%	31%	% men	27%	31%	34%

Average hours of training per capita (no.)	1H19	2018	2017
Total	2.76	9.52	8.70
Women	2.89	11.23	9.56
Men	2.55	6.63	7.27
Cadres	4.38	15.60	12.69
Employés	2.32	8.06	5.59
Journalistes	1.66	5.31	6.32

Faced with a general contraction in the Magazines market (in terms of both readership and advertising revenue), in 2014 Mondadori France implemented a series 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 skills-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.

Programs 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 shows 2016-2018 figures on the Annual Appraisal Assessment (AAA) which involves the participation of both the employee and the relevant manager. At 30 June 2019, the assessment program was about to start (ending in September); figures, therefore, are unavailable.

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%
Total	315	42%	225	30%	310	39%

FREEDOM OF EXPRESSION AND PUBLICATION

Figures relating to contributions received by Mondadori France in the first six months of 2019 from Public Administration, other bodies, associations, NGOs, non-profit organizations or private individuals are unavailable.

PRIVACY AND PERSONAL DATA PROTECTION

France reports a high number of complaints from high-profile public figures and show business celebrities against magazines accused of violating

their privacy and image rights. The titles published by Mondadori France, in particular in the first half of 2019 the weekly *Closer* (19 complaints) and *Téléstar* (1 complaint), are no exception to such trend.

Source of complaints	1H19	2018	2017
Supervisory bodies	-	-	-
External parties	20	74	81
Total	20	74	81

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Penalties

In the first half of 2019, the financial penalties imposed on Mondadori France amounted to approximately € 540 thousand. Added to these

are 3 non-monetary penalties arising from rulings preventing the sale and/or republication of photos.

Monetary penalties (in milioni di euro)

Type	1H19	2018	2017
Tax penalties	-	-	-
Economic penalties	0.54	0.37	0.63
Total	0.54	0.37	0.63

Non-monetary penalties	1H19	2018	2017
Number of cases	3	1	4

BUSINESS INTEGRITY AND COMBATING CORRUPTION

No legal actions were initiated or concluded against Mondadori France in the two-year period 2017-2018 for alleged collusive practices or infringements of antitrust and anti-monopoly legislation, nor were there any cases confirmed in the first six months of 2019.

Additionally, no certified incidents of corruption were reported in 2018 and the first half of 2019. One case, instead, was reported in 2017, which was promptly intercepted and the employee involved was given a warning.

MANAGEMENT OF ENVIRONMENTAL IMPACTS

Life cycle 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 tangible 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 relating standards.

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Total printing paper

Type of paper	1H19		2018		2017	
	tonnes	%	tonnes	%	tonnes	%
Recycled ¹	3,000	20%	7,349	20%	6,532	16%
Traditional	12,300	80%	29,665	80%	35,444	84%
Total	15,300		37,014		41,976	

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

Mondadori France's paper consumption in the first six months of 2019 stood at 15,300 tonnes, hinting at a trend that is basically in line with last year.

Magazine logistics

Printing, binding and distribution operations connected with the magazines published by Mondadori France (almost 80 million copies in the first half of 2019) are outsourced to external suppliers located in Europe. Unlike Italy, the

sale of magazines via subscriptions represents a significant share of the business. Magazines are distributed by post or to newsstands. Specifically, distribution to newsstands is outsourced to two companies and is carried out mainly by road transport.

Most 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 player, *La Poste*, which distributes the products directly to the homes of subscribers. Before reaching *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. Lastly, the delivery of the magazines to subscribers is guaranteed by a network of couriers.

The table below shows consumption figures for materials used in the transport 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	1H19	2018	2017
Wood	Pallets	433	983	1,058
Cardboard	Cardboard boxes and packaging materials ¹	10	20	20
Polyethylene	Film	85	183	201
	Package filling	-	-	-
	Pallet covers	-	-	-
Polypropylene	Tape	-	-	-
	Strapping	10	36	42
Expanded polystyrene foam	Filling of packages with polystyrene	-	-	-

¹ The consumption figure for cardboard boxes for the three-year period is an estimate

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Emissions

The direct (Scope 1) emissions shown in the table are related exclusively to fugitive emissions from

air conditioning systems, which were 0 in the first half of 2019.

GHG emissions (tonnes)		1H19	2018	2017
Direct (Scope 1) - CO ₂ eq		0 ¹	105	112
Energy indirect (Scope 2)				
	<i>location-based - CO₂</i>	88	139	120
	<i>market-based - CO₂eq</i>	65	152	137
Other indirect emissions (Scope 3)				
	<i>Emissions from paper production</i>	5,967	14,806	18,050
Total emissions		6,055	15,050	18,282

¹ No fugitive emissions from air conditioning equipment were reported during the period

² Location-based Scope 2 emissions are shown in tonnes of CO₂; however, the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO₂eq), as inferred from the relating technical literature

³ Scope 3 emissions linked to paper production are shown in tonnes of CO₂, as the source used does not report the emission factors of other gases than CO₂

⁴ Total emissions are shown in CO₂ as the share attributable to other gases (CH₄ and N₂O) is immaterial

Emission factors used

Electricity (location-based)	Source 2019: Terna international comparisons on Enerdata figures (2017 figures).	72 gCO ₂ /kWh
	Source 2018: Terna international comparisons on Enerdata figures (2016 figures).	53 gCO ₂ /kWh
	Source 2017: Terna international comparisons on Enerdata figures (2015 figures).	40 gCO ₂ / kWh
Electricity (market-based)	Source 2019: AIB, (2018). European Residual Mixes 2018.	53 gCO ₂ eq/kWh
	Source 2018: AIB, (2018). European Residual Mixes 2017.	58 gCO ₂ eq/kWh
	Source 2017: AIB, (2017). European Residual Mixes 2016.	49 gCO ₂ eq/kWh
Refrigerants (HFCs)	Source: GHG Protocol 2016	CO ₂ eq/kg
Paper production	Source 2019: Key Statistics 2018 of the Confederation of European Paper Industries (CEPI)	0.39 tCO ₂ /t paper
	Source 2018 and 2017: Key Statistics 2017 of the Confederation of European Paper Industries (CEPI)	0.4 tCO ₂ /t paper

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As concerns energy indirect (Scope 2) GHG emissions, for Mondadori France such emissions result from electricity consumption for the heating and lighting of offices.

As in Italy, Mondadori France has also seen its electricity consumption fall over the years. In the first half of 2019, 1,218 MWh of electricity was consumed, equal to 4,386 GJ.

Lastly, as concerns other indirect (Scope 3) GHG emissions, the downward trend seen in recent years is due mainly to the lower consumption of printing paper. In the first half of 2019, approximately 15,300 tonnes of paper were consumed, equal to almost 6,000 tonnes of CO₂ emissions.

Electricity	UoM	1H19	2018	2017
Total electricity purchased from national grid	MWh	1,218 ¹	2,619	2,794 ²
	GJ	4,386	9,428	10,058

¹ The figure for the first six months of 2019 was subject to estimation

² Figures on electricity consumption for 2017 have been estimated on the portion referring to the Mondadori France warehouse

Waste

In the first half of 2019, no hazardous waste was recorded in France, while non-hazardous waste amounted to 83.6 tonnes.

Waste	1H19		2018		2017	
	tonnes	%	tonnes	%	tonnes	%
Hazardous	-	-	0.113	0.06%	0.128	0.06%
Non-hazardous	83.622	100%	189.199	99.94%	218.594	99.94%
Total	83.622		189.312		218.722	

Initiatives to reduce the environmental impact

Paper and sustainability

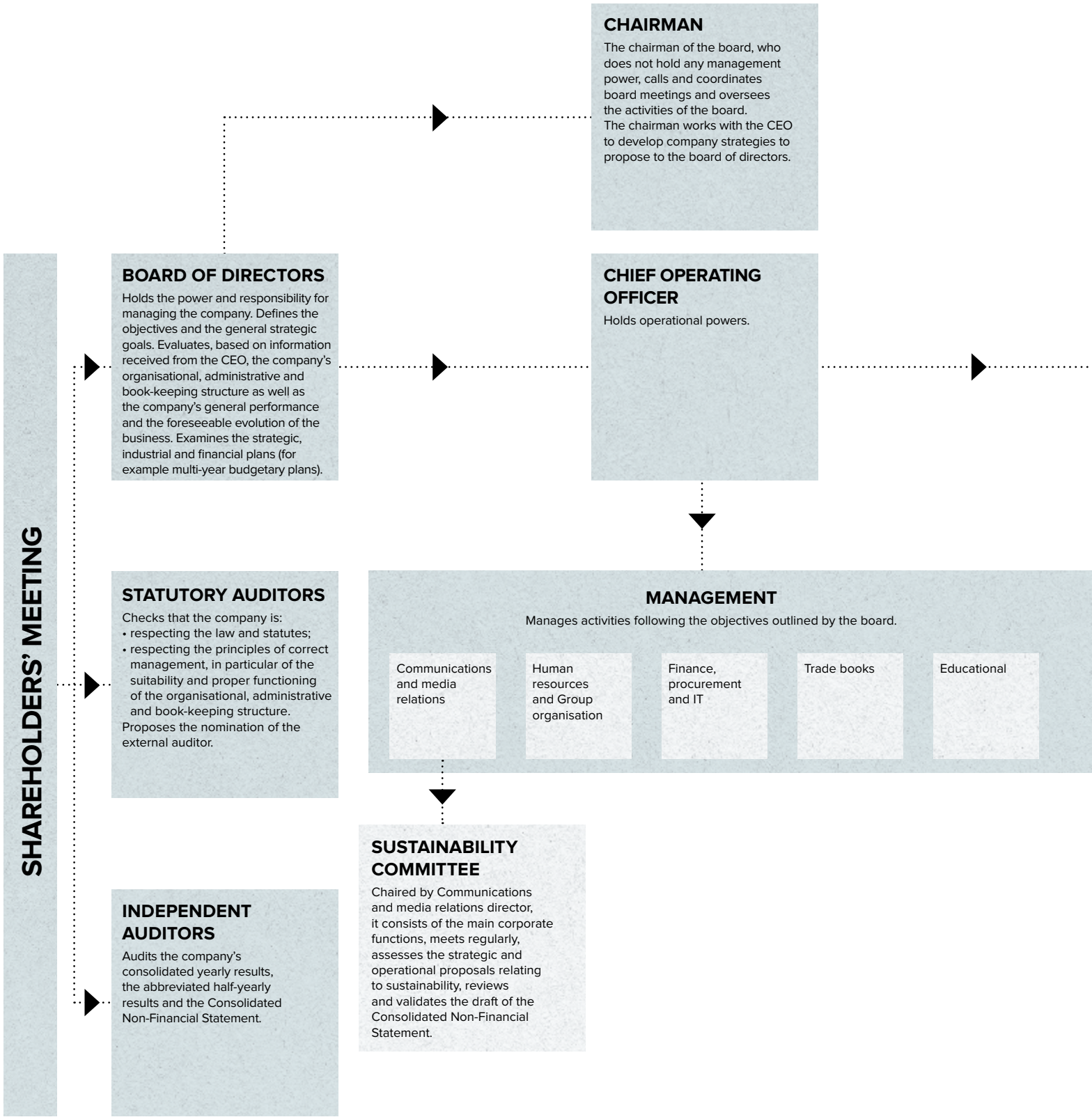
In response to the requirements of the Ecocontribution scheme, in recent years Mondadori France has undertaken a range of

actions to alter the format and weight of its magazine paper. Over the last three years, these measures have enabled it to reduce the average amount of paper consumed per copy. In the first half of 2019, with 15,300 tonnes of paper consumed, average consumption per copy was 196 grams.

	UoM	1H19	2018	2017
Total print run	Copies	77,900,000	171,462,700	190,000,000
Paper consumed	Tonnes	15,300	37,014	41,977
Average paper consumption per copy produced	g	196	216	221

GOVERNANCE SYSTEM

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



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
(Until 31 July
2019)

Mondadori
Retail

NOTE ON METHODOLOGY

This Consolidated Non-Financial Statement of the Mondadori Group meets the requirements of Legislative Decree 254/2016 (and subsequent amendments) concerning the obligation of large public-interest entities to report non-financial information. The objective of the NFS is to facilitate the understanding of the organizational model, policies, main risks, and performance measures of the Group in relation to environmental, social

and employee aspects, respect for human rights, and anti-corruption and bribery matters that are material, given the business and characteristics of the undertaking (as per Articles 3 and 4 of Legislative Decree 254/2016).

It should be noted that topics relating to water consumption, biodiversity, responsible supply chain management and health and safety in the workplace were found not to be material by the materiality analysis process illustrated in the Introduction (see pp. 84-90).

Material topic	Law 254 areas	GRI Aspects
Enhancement and management of human capital	Personnel management	Employment Training and education Industrial relations
Diversity	Personnel management	Diversity and equal opportunities
Promotion of reading and socio-cultural growth	Social impacts	Interaction with the public (M) Media literacy (M)
Education and the school world	Social impacts	Disclosure of content (M)
Responsibility for content	Social impacts	Content creation (M)
Freedom of expression and publication	Social impacts Human rights	Freedom of expression (M) Public policies Cultural Rights (M)
Product accessibility	Social impacts Human rights	Disclosure of content (M) Human Rights Assessment (M)
Transformation of business models	Social impacts	Economic performance
Brand management	Social impacts	Non GRI Topic
Digital evolution	Social impacts	Disclosure of content (M) Interaction with the public (M)
Privacy and personal data protection	Social impacts Human rights	Customer privacy Privacy protection (M)
Business integrity and combating corruption	Social impacts Combating corruption	Socio-economic compliance Anti-corruption
Market abuse	Social impacts	Anti-competitive behaviour Energy
Management of environmental impacts	Environment	Materials
Life cycle of paper products	Environment	Materials
Climate change	Environment	Emissions

(M) Material topics under G4 Sector Disclosures - Media

* Rizzoli International Publications

In accordance with the two options provided by Article 5 of Legislative Decree 254/16, this NFS has been incorporated into the Directors' Report on Operations of the Mondadori Group for 2019. This Non-Financial Statement, prepared on an annual basis, is also published on the Group's website, www.mondadori.it, as part of the 2019 Annual Report.

In accordance with the GRI Standards, when prioritizing the sustainability topics, due consideration was given to the relevance of the

impact of each topic both within and outside the reporting scope, i.e. along the Mondadori value creation chain.

To provide greater reporting clarity and to facilitate comparison, the aspects identified by the GRI Standards, material topics, and the areas covered by the Decree have been matched and the relating boundary, and any scope limitations applied, stated.

GRI Indicators	Scope of material topics		Scope limitations	
	Where the impact occurs	Type of impact	Internal	External
GRI 103-1; GRI 103-2; GRI 401-1 GRI 103-1; GRI 103-2; GRI 404-1/-2 GRI 103-1; GRI 103-2; GRI 402-1	Group	Generated by the Group	-	Reporting scope partly extended to franchisees
GRI 103-1; GRI 103-2; GRI 405-1	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; M6	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; M7	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; M4	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; M2	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2 GRI 103-1; GRI 103-2; GRI 415-1 GRI 103-1; GRI 103-2	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; M4 GRI 103-1; GRI 103-2	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; GRI 201-4	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2	"Group franchisees"	Generated by the Group	-	Reporting scope not extended to franchisees
GRI 103-1; GRI 103-2; M4 GRI 103-1; GRI 103-2; M6	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2 GRI 103-1; GRI 103-2; GRI 418-1	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; GRI 419-1	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; GRI 205-3	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; GRI 206-1 GRI 103-1; GRI 103-2; GRI 302-1	Group	Generated by the Group	-	-
GRI 103-1; GRI 103-2; GRI 301-1/-2	Group, paper suppliers, distributors, printing suppliers and franchisees	Generated by the Group and related to Group activities	Reporting scope partly extended to RIP*	Reporting scope partly extended to distributors but not extended to paper suppliers, printing suppliers and franchisees
GRI 103-1; GRI 103-2; GRI 301-1/-2	Group, distributors, paper suppliers, printing suppliers	Generated by the Group and related to Group activities	Reporting scope partly extended to RIP*	Reporting scope partly extended to distributors but not extended to paper and printing suppliers
GRI 103-1; GRI 103-2; GRI 305-1/-2/-3	Group, distributors, paper suppliers, printing suppliers, franchisees	Generated by the Group and related to Group activities	Reporting scope partly extended to RIP*	Reporting scope partly extended to distributors but not extended to paper suppliers, printing suppliers and franchisees

Reporting scope and standard

In accordance with the requirements of the Decree, the **reporting scope** includes Arnoldo Mondadori Editore S.p.A. and the companies consolidated on a line-by-line basis (in the document also “Mondadori Group”, “Group”, “Mondadori” or “the company”): consistent with the presentation of the operating and financial

results for 2019, the figures and information for the subsidiary Mondadori France S.a.s. (sold on 31 July 2019) refer to the first six months of the year and are shown separately.

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

GRI Standards	GRI Disclosure	Description
GRI 102 - General disclosures	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 behaviour	206-1	Legal actions for anti-competitive behavior, antitrust and monopoly practices
GRI 301 - Materials	301-1	Materials used by weight or volume
	301-2	Recycled input materials used
GRI 302 - Energy	302-1	Energy consumption within the organization
GRI 305 - Emissions	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
GRI 401 - Employment	401-1	New hires and turnover
GRI 402 - Relations between labour and management	402-1	Minimum notice period regarding operational changes
	404-1	Average hours of training per year per employee
GRI 404 - Training and education	404-2	Programs for upgrading employee skills and transition assistance programs
GRI 405 - Diversity and equal opportunities	405-1	Diversity of governance bodies and employees

The **reporting period** for the information and figures provided in this NFS is 2019 (1 January - 31 December). In order to compare figures over time, where possible, figures for the previous two years were included.

The **reporting standard** adopted by the Group for the preparation of the Non-Financial Statement are the GRI Sustainability Reporting Standards,

published in 2016 by the Global Reporting Initiative (in the document also GRI Standards). Specifically, as required by GRI 101: Foundation, section 3, this report is GRI-referenced to the Disclosures listed in the following table. Additionally, as an annex to the document, the GRI Content Index shows GRI indicators associated with each material topic.

GRI Standards	GRI Disclosure	Description
GRI 415 - Public policy	415-1	Political contributions
GRI 418 - Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
GRI 419 - Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic area
	M2	and economic area
	M4	Actions taken to improve performance in relation to content dissemination issues (accessibility and protection of vulnerable audiences and informed decision making) and results obtained
	M6	Methods to interact with audiences and results
	M7	Actions taken to empower audiences through media literacy skills development and results obtained
GRI G4 Media Sector Disclosures	GRI 103 - Management Approach	Freedom of expression
	103-1	
	103-2	Human rights assessment
	GGRI 103 - Management Approach	
	103-1	Cultural rights
	103-2	
	GRI 103 - Management Approach	Privacy protection
	103-1	
	103-2	

Reporting process and calculation criteria

The identification of the qualitative and quantitative information contained in this 2019 NFS involved all relevant Company functions, in concert with and coordinated by CSR officers.

Specifically, the figures shown were selected on the basis of the analysis and, where appropriate, also on the basis of the European Commission's "Guidelines on Non-Financial Reporting". The figures were collected through a collection, aggregation, and transmission process applied to figures and information at Group level.

For the preparation of the 2019 Consolidated NFS, Mondadori was assisted by Lundquist S.r.l.

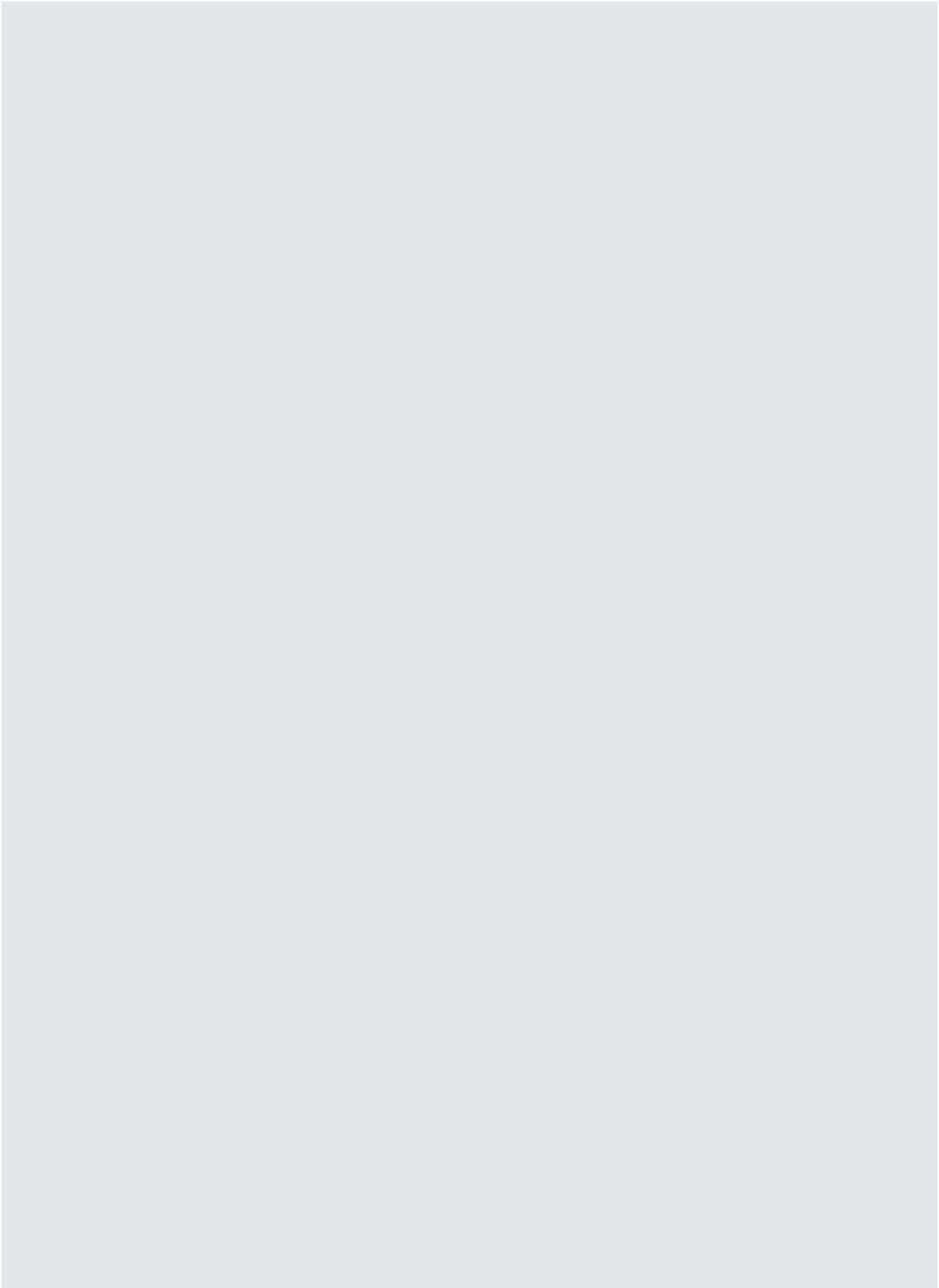
Shown below are the main **calculation methods and assumptions** used to measure the non-financial performance measures reported in this NFS, in addition to the information provided in the various sections:

- the figures on penalties refer to cash outlays in the year and are not calculated on an accrual basis;
- in the breakdown of the workforce by grading, "executives" include editors-in-chief and deputy editors-in-chief of magazines; members of the Board of Directors are not included;
- where environmental figures were unavailable, 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.

To ensure figure 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 17 March 2020.

This document is subject to limited review, in accordance with the International Standard on Assurance Engagement (ISAE 3000 Revised), by the Independent Auditors EY S.p.A.



GRI CONTENT INDEX

GRI Standard	Disclosure	Page reference	Omission
GRI 102: General disclosures			
Profile of the organization			
	102-8 Information on employees and other workers	pp. 96; 100-101; 133; 135	
Strategy			
	102-15 Key impacts, risks and opportunities	pp. 92-95	
Governance			
	102-18 Governance structure	pp. 144-145	
Stakeholder involvement			
	102-40 List of stakeholder groups	pp. 85-86	
	102-41 Collective bargaining agreements	pp. 104; 136	
Reporting practices			
	102-46 Defining report content and topic boundaries	pp. 87-89; 146-149	
	102-47 List of material topics	pp. 87-89; 146	
	102-55 GRI content index	pp. 152-156	
Material Topics			
GRI 200 Economic Standard Series			
Economic performance			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 113; 139	
GRI 201: Economic performance	201-4 Financial assistance received from government	pp. 113; 139	
Anti-corruption			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 94; 118; 140	
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	pp. 118; 140	

GRI Standard	Disclosure	Page reference	Omission
Anti-competitive behaviour			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 119; 140	
GRI 206: Anti-competitive behaviour	206-1 Legal actions for anti-competitive behavior, antitrust and monopoly practices	pp. 119; 140	
GRI 300 Environmental Standards Series			
Materials			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 92; 119-124; 129; 140-141; 143	
GRI 301: 2016 Materials	301-1 Materials used by weight or volume	pp. 120-124; 129-130; 140-141; 143	
	301-2 Recycled input materials used	pp. 120; 140	
Energy			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 92; 119; 125-127; 129-131; 142	
GRI 302: Energy	302-1 Energy consumption within the organization	pp. 125; 127; 128; 142	
Emissions			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 92; 119; 122; 125-128; 131-132; 141-142	

GRI Standard	Disclosure	Page reference	Omission
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	pp. 125-126; 141-142	
	305-2 Energy indirect (Scope 2) GHG emissions	pp. 125-127; 128; 141-142	
	305-3 Other indirect (Scope 3) GHG emissions	pp. 122; 125-127; 128; 131-132; 141-142 Scope 3 emissions include, for Italy, emissions from paper consumption and business travel; for the United States and Mondadori France, they include emissions from paper consumption.	

GRI 400 Social Standards Series

Employment

GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147
	103-2 The management approach and its components	pp. 95; 109; 138
GRI 401: Employment	401-1 New hires and turnover	pp. 97-98; 133

Relations between labour and management

GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147
	103-2 The management approach and its components	pp. 104; 134
GRI 402: Relations between labour and management 2016	402-1 Minimum notice period regarding operational changes	pp. 104; 136

Training and education

GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147
	103-2 The management approach and its components	pp. 95; 105-109; 137-138
GRI 404: Training and education	404-1 Average hours of training per year per employee	pp. 107; 137-138
	404-2 Programs for upgrading employee skills and transition assistance programs	pp. 108; 138

Diversity and equal opportunities

GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147
	103-2 The management approach and its components	pp. 98-103; 134-136
GRI 405: Diversity and equal opportunities	405-1: Diversity of governance bodies and employees	pp. 98-101; 102; 134-136

Public policy

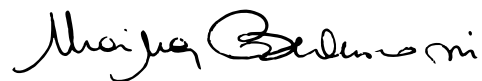
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147
	103-2 The management approach and its components	pp. 113; 139

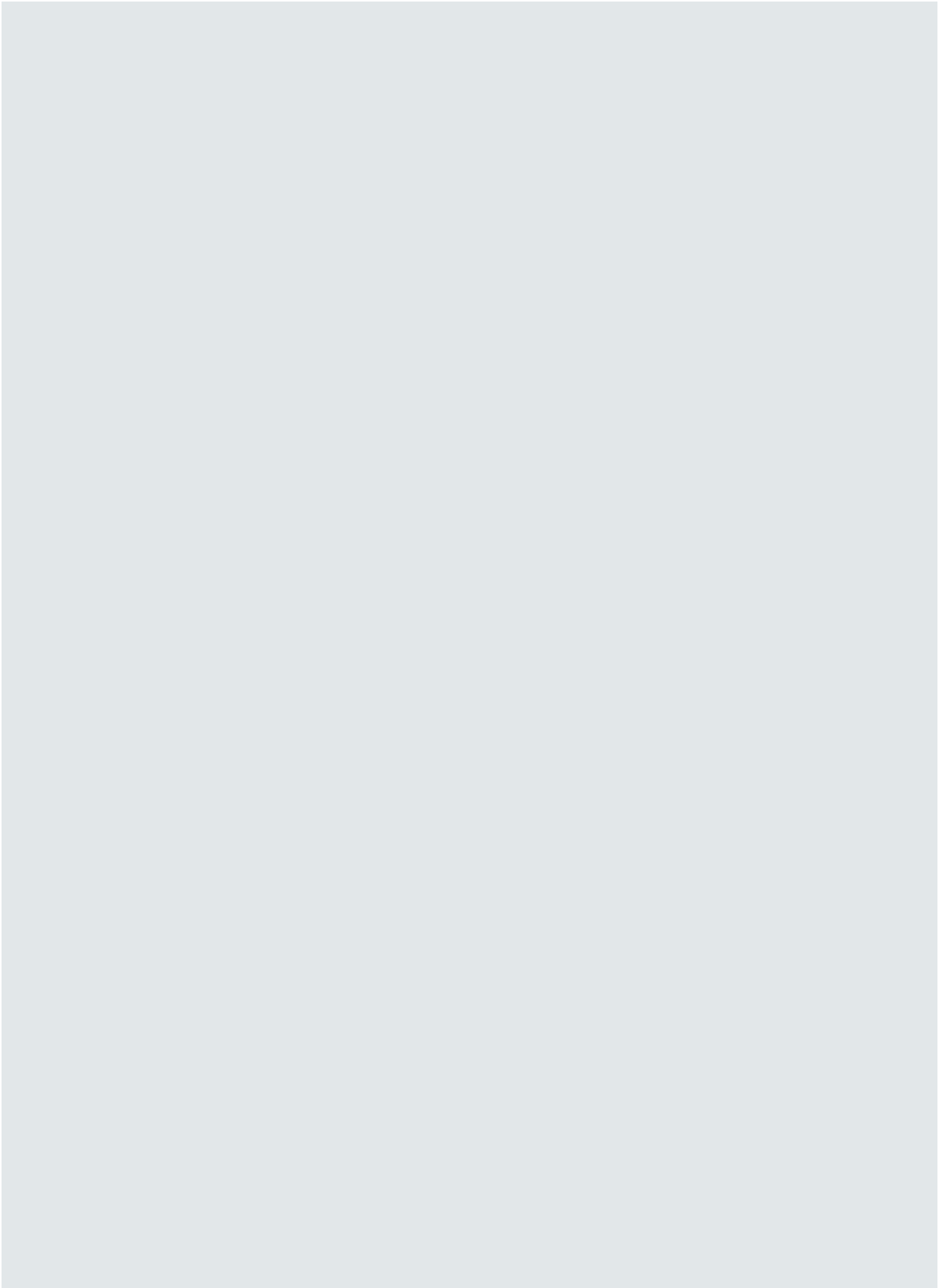
GRI Standard	Disclosure	Page reference	Omission
GRI 415: Public policy	415-1 Political contributions	pp. 113; 139	
Customer privacy			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 116-117; 139	
GRI 418: Customer privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	pp. 117; 139	
Socio-economic compliance			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 118; 139	
GRI 419: Socio-economic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	pp. 118; 139	
Content creation*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 90-91; 93; 112-114	
M2	Methodology for assessing and monitoring adherence to content creation values	pp. 90-91; 112	
Content distribution*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 111; 114-116	
M4	Actions taken to improve performance in relation to content dissemination issues (accessibility and protection of vulnerable audiences and informed decision making) and results obtained	pp. 111; 114-116	
Interaction with the public*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 110-112; 116	
M6	Methods to interact with audiences and results	pp. 110-112; 116	
Media literacy*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 110-112	

GRI Standard	Disclosure	Page reference	Omission
M7	Actions taken to empower audiences through media literacy skills development and results obtained	pp. 110-112	
Freedom of expression*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	1103-2 The management approach and its components	pp. 93; 113-114	
Human rights assessment*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 113-115	
Cultural rights*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 113-114	
Privacy protection*			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 93; 116-117; 139	
Non GRI topics			
Brand management			
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	pp. 88-89; 146-147	
	103-2 The management approach and its components	pp. 90-94; 114-116	

*GRI G4 Media Sector Disclosure

For the Board of Directors
The Chairman
Marina Berlusconi





Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

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

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (Decree) and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Arnoldo Mondadori Editore S.p.A. and its subsidiaries (the Group) for the year ended on 31st December 2019 in accordance with article 4 of the Decree and approved by the Board of Directors on 17th March 2020 (DNF).

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - *Global Reporting Initiative* (GRI Standards), with regards to the selection of GRI Standards, identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the *International Standard on Quality Control 1 (ISQC Italia 1)* and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards, with regards to the selection of GRI Standards. Our work has been performed in accordance with the principle of *"International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised (reasonable assurance engagement) and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Group's consolidated financial statements;
4. understanding of the following aspects:
 - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below;

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
In particular, we have conducted interviews and discussions with the management of Arnoldo Mondadori Editore S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at group level:
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the company Arnoldo Mondadori Editore S.p.A., that we have selected based on its activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Group for the year ended on 31st December 2019 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards, with regards to the selection of GRI Standards.

Other matters

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The DNF for the years ended on 31st December 2018 and 31st December 2017, whose data are presented for comparative purposes, have been subject to limited assurance procedures by another auditor, who expressed unqualified conclusions on 27th March 2019 and 29th March 2018, respectively.

Milano, March 27, 2020

EY S.p.A.
Signed by: Luca Pellizzoni (Auditor)

This report has been translated into the English language solely for the convenience of international readers.