

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

**FINANCIAL YEAR 2020**

**Approved by the Board of Directors of  
Arnoldo Mondadori Editore S.p.A.  
on 18 March 2021**

**GRUPPO  MONDADORI**

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

## TABLE OF CONTENTS

<b>1. GROUP PROFILE</b>	<b>4</b>
INTRODUCTION	4
CHOSEN CORPORATE GOVERNANCE SYSTEM	4
<b>2. INFORMATION ON OWNERSHIP STRUCTURE</b>	<b>5</b>
STRUCTURE OF SHARE CAPITAL. SHARE STRUCTURE AND RIGHTS	5
RESTRICTIONS ON THE TRANSFER OF SHARES	6
MAJOR SHAREHOLDINGS	6
SECURITIES CONFERRING SPECIAL RIGHTS	6
EMPLOYEE STOCK OWNERSHIP: MECHANISM FOR EXERCISE OF VOTING RIGHTS	6
RESTRICTIONS ON VOTING RIGHTS	6
SHAREHOLDER AGREEMENTS	6
CHANGE OF CONTROL CLAUSES	6
AUTHORISATION TO INCREASE THE SHARE CAPITAL AND BUY BACK OWN SHARES	7
BUYBACKS EXECUTED DURING THE YEAR	9
MANAGEMENT AND COORDINATION ACTIVITIES (EX ART. 2497 <i>ET SEQ.</i> ITALIAN CIVIL CODE)	9
<b>3. COMPLIANCE</b>	<b>9</b>
<b>4. BOARD OF DIRECTORS</b>	<b>10</b>
COMPOSITION OF THE BOARD OF DIRECTORS	10
APPOINTMENT AND REPLACEMENT OF DIRECTORS	11
FUNCTIONS AND ACTIVITIES OF THE BOARD OF DIRECTORS	15
CORPORATE OFFICERS	17
CHIEF EXECUTIVE OFFICER	17
CHAIR OF THE BOARD OF DIRECTORS	18
EXECUTIVE COMMITTEE	18
PRE-MEETING INFORMATION	18
NON-EXECUTIVE DIRECTORS	19
INDEPENDENT DIRECTORS	19
LEAD INDEPENDENT DIRECTOR	22
SELF-ASSESSMENT OF THE BOARD OF DIRECTORS	22
<b>5. TREATMENT OF CORPORATE INFORMATION</b>	<b>23</b>
MANAGEMENT AND DISCLOSURE TO THE MARKET OF SIGNIFICANT AND INSIDER INFORMATION	23
INTERNAL DEALING	23
BLACK-OUT PERIODS	24
<b>6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS</b>	<b>24</b>
INTRODUCTION	24
REMUNERATION & APPOINTMENTS COMMITTEE	24
REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL	26
REMUNERATION POLICY GUIDELINES	26
IMPLEMENTATION OF THE REMUNERATION POLICY	26
REMUNERATION PLANS BASED ON FINANCIAL INSTRUMENTS	26
REFERRAL TO THE REMUNERATION REPORT	27
RELATED PARTIES COMMITTEE	27

7. CONTROL & RISKS COMMITTEE	28
8. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	31
MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	31
INTRODUCTION	31
GUIDELINES FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	32
DETERMINATION OF THE LEVEL OF COMPATIBILITY OF RISKS WITH ACHIEVEMENT OF STRATEGIC OBJECTIVES	34
RISK MANAGEMENT	34
DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	36
HEAD OF INTERNAL AUDIT	36
ORGANISATION, MANAGEMENT AND CONTROL MODEL EX LGS.DECREE 231/2001	38
SUPERVISORY AND OVERSIGHT BODY	38
EXTERNAL AUDITOR	39
MANAGER IN CHARGE OF PREPARING THE CORPORATE ACCOUNTS	39
COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	40
MAIN CHARACTERISTICS OF EXISTING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS	40
INTRODUCTION	41
REFERENCE CONTROL MODEL	41
CHARACTERISTICS OF THE INTERNAL CONTROL MODEL	42
9. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS	43
10. BOARD OF STATUTORY AUDITORS	44
COMPOSITION AND OPERATIONS OF THE BOARD OF STATUTORY AUDITORS	44
APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS	46
STATUTORY AUDITORS' INTERESTS	49
SELF-ASSESSMENT OF THE BOARD OF STATUTORY AUDITORS	49
11. INVESTOR RELATIONS	50
12. SHAREHOLDERS' MEETINGS	50
13. OTHER CORPORATE GOVERNANCE PRACTICES	52
14. CHANGES AFTER THE REPORTING DATE	52
15. REMARKS ON THE LETTER OF 22 DECEMBER 2020 OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE	52
ATTACHMENTS	53
TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES	53
TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS	54
TABLE 3: INFORMATION ON OWNERSHIP STRUCTURE	55

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

**Report on Corporate Governance  
and Ownership Structure  
pursuant to art. 123-bis of Lgs.Decree no. 58/1998  
Financial year 2020**

## **1. GROUP PROFILE**

### **INTRODUCTION**

A leading media company, the Mondadori Group operates in two main publishing sectors: books and magazines. The Group is the largest publisher of trade books, under the imprints Mondadori, Giulio Einaudi editore, Piemme, Sperling & Kupfer, Frassinelli, Rizzoli, BUR, Fabbri Editori and Rizzoli Lizard. It is also the leading educational publisher with Mondadori Education S.p.A. and Rizzoli Education S.p.A.: through the subsidiary Electa S.p.A., under the imprints Electa and Abscondita, it is also active in art and illustrated book publishing, museum licensing and the organisation and management of exhibitions and cultural events. Through Rizzoli International Publications, the Group is a US and international player in the illustrated books sector.

Finally, the book business comprises the operations of Mondadori Retail S.p.A., which manages the largest network of bookshops in the country, with over 550 retail outlets (operated directly and as franchises), the e-commerce website and the book club.

In Italy, through the subsidiary Mondadori Media S.p.A., the Group is one of the primary publishers of printed magazines and the leading multimedia publisher in the digital and social media world, with a rich portfolio of more than 20 printed magazines and 14 digital brands, and consolidated leadership in the women, food, health & wellness sectors.

The Group publications portfolio is also present globally, with a large number of international editions published through joint ventures or licensing agreements with foreign publishers.

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

The Issuer is classified as a PMI [*Piccola Media Impresa* – small-medium enterprise] pursuant to art. 1, paragraph 1, head *w-quater*.1), of the TUF [consolidated financial intermediation act] and art. 2-*ter* of the Consob Issuers' Regulation, with 2020 revenues of € 744 million and average capitalisation in 2020 of € 343,919,532.

### **CHOSEN CORPORATE GOVERNANCE SYSTEM**

The Issuer is a company listed on the Mercato Telematico Azionario online stock market operated by Borsa Italiana S.p.A. since 1982.

Under its Articles of Association, the Issuer has adopted the traditional organisational administration and control model as per arts. 2380-*bis et seq.* of the Italian Civil Code, which envisages a Board of Directors, a Board of Statutory Auditors and an external auditor or auditing firm.

The Board of Directors is vested with full powers of ordinary and extraordinary administration and consequently has a central role in the governance of the Company.

The Board of Directors has formed a Remuneration & Appointments Committee and a Control & Risks Committee, both with advisory and consultative functions in line with the recommendations of the Corporate Governance Code, and a Related Parties Committee pursuant to the RPT Regulation and the procedures concerning related-party transactions adopted by the Company.

The Board of Statutory Auditors monitors compliance with the law and the Articles of Association and oversees the management of the Company. It monitors compliance with the principles of correct governance, with a specific focus on the adequacy and operation of the Company's organisational, administrative and accounting structure.

Oversight of the accounts is entrusted to an auditing firm designated by the Shareholders' Meeting.

The operation, composition and competences of the Company's governing bodies are examined in detail in this Report.

As parent company, the Issuer directs corporate and group strategies and exercises management and coordination functions pursuant to arts. 2497 *et seq.* of the Italian Civil Code over its subsidiary companies in the Mondadori Group.

The Issuer's corporate governance system has been developed in compliance with the Corporate Governance Code and the laws governing Italian listed companies, in accordance with international corporate governance best practice.

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

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

As at the date of approval of this Report, the share capital of Arnoldo Mondadori Editore S.p.A. ("AME") was € 67,979,168.40 fully subscribed and paid-up, represented by 261,458,340 ordinary shares with a par value per share of € 0.26 euro. Shares are issued through a central dematerialised securities depository and are traded on the Mercato Telematico Azionario (MTA – online stock market) organised and run by Borsa Italiana S.p.A., in the STAR segment for high performance stocks.

The structure of share capital at 31 December 2020 is illustrated in Table 3 attached to this Report.

Mondadori shares are registered, indivisible, and freely transferable shares which grant the right to vote at the Company's ordinary and extraordinary shareholders' meetings in accordance with law and the Articles of Association; furthermore, they grant the additional administrative and capital rights envisaged by law on shares with voting rights.

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

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

The Shareholders' Meeting of 27 April 2017 introduced a system of "increased voting rights" into the Articles of Association (pursuant to art. 127-*quinquies* of Lgs.Decree no. 58/1998), which, among other things, provides for a double voting right to be assigned to each share held by the same party for a continuous period of not less than 24 months, as from registration in the special list set up by the Company.

For further information about increased voting rights, see the Regulation for Increased Voting Rights published on the Company website [www.mondadori.it](http://www.mondadori.it).

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

There are no restrictions on the transfer or holding of shares, nor are there any clauses for approval by the Company or other security holders regarding the transfer of shares.

#### **MAJOR SHAREHOLDINGS**

Table 3 attached to this Report illustrates the major shareholdings in excess of 5% of capital or above the materiality threshold, held directly or indirectly, as reflected in the stock ledger and in data from the notices received pursuant to art. 120 Lgs.Decree no. 58/1998 and from other available information.

Over the course of 2020, there was a decrease of approximately -26.7% or - € 143.8 million in the market capitalisation of the Company's shares.

#### **SECURITIES CONFERRING SPECIAL RIGHTS**

No shares have been issued that confer special control rights.

The Shareholders' Meeting of 27 April 2017 approved an amendment to art. 7 of the Articles of Association with the introduction of a system of "increased voting rights" into the Articles of Association (pursuant to art. 127-*quinquies* of the TUF), which, among other things, provides for a double voting right to be assigned to each share held by the same party for a continuous period of not less than 24 months, as from registration in the special list set up by the Company. As of the date of this Report, 139,374,650 shares representing 53.31% of the share capital and 69.86% of the voting capital were registered in the special list. Increased voting rights had vested on all the shares referred to above as of the date of this Report.

The Issuer's Articles of Association do not contemplate shares with multiple voting rights.

#### **EMPLOYEE STOCK OWNERSHIP: MECHANISM FOR EXERCISE OF VOTING RIGHTS**

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

#### **RESTRICTIONS ON VOTING RIGHTS**

There are no restrictions on the exercise of voting rights with the exception of the treasury shares held by the Company on which voting rights are suspended pursuant to art. 2357-*ter* Italian Civil Code.

#### **SHAREHOLDER AGREEMENTS**

The Board of Directors is not aware of the existence of any shareholder agreements as per art. 122 of Lgs.Decree no. 58/1998, regarding the exercise of the rights on shares or the transfer of shares.

#### **CHANGE OF CONTROL CLAUSES**

In December 2017, a new loan agreement was made with a pool of banks relating to the negotiation of credit facilities for a total amount of € 450 million; as is customary for contracts of this nature, the agreement calls for the potential early repayment of shareholders should the ownership structure of the Company change. Specifically, AME is required to notify the agent bank of any event that determines a change of control of AME, within 5 business days. Within 30 business days, each bank will have the possibility to inform AME that it has cancelled its commitment relating to the credit facilities and, in that case, AME will be required to reimburse in full the share of the amounts and advances paid out by the bank in question (together with any other amount due) within 15 business days.

#### **AUTHORISATION TO INCREASE THE SHARE CAPITAL AND BUY BACK OWN SHARES**

The Extraordinary Meeting of the Shareholders held on 17 April 2019 resolved:

- a) to grant the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the power to increase share capital, in one or more tranches and also on a divisible basis pursuant to art. 2439 of the Italian Civil Code, within five years of the resolution date, by a maximum nominal amount of € 75,000,000.00, through the issue, in one or more tranches, of ordinary shares to be offered to holders of option rights as regulated by art. 2441, paragraph 1, of the Italian Civil Code, with the power for the Board of Directors to establish, from time to time, the issue price, including any share premium, the dividend entitlement and the term for subscription of the new shares;
- b) to attribute, in accordance with art. 2443 of the Italian Civil Code, the power for the Board of Directors to increase the share capital by payment, on one or more occasions and also on a divisible basis pursuant to art. 2439 of the Italian civil code, within five years of the resolution, with the exclusion of option rights, pursuant to art. 2441, paragraph 4, second section, of the Italian Civil Code, through the issue, in one or more tranches, of a number of ordinary shares not exceeding 10% (ten percent) of the total number of shares making up the share capital of Arnoldo Mondadori Editore at the date of the exercise of the attributed power and, in any case, for a nominal amount not exceeding € 20,000,000.00, with the power for the Board of Directors to establish, from time to time, the issue price, including any premium, the dividend entitlement and the term for subscription of the new shares, as well as the possible allocation of all or part of the share capital increase to service the conversion of bonds issued by third parties, both in Italy and abroad, or warrants, with the limit and on condition that, in accordance with art. 2441, paragraph 4, second section, of the Italian Civil Code, the issue price corresponds to the market value of the shares and that this is confirmed in a specific report by the external auditor or auditing firm.

In consideration of the expiration of the previous shareholder authorisation provided on 17 April 2019 and to ensure that the Board of Directors would retain the power to take any opportunities for the investment and trading of treasury shares, the Shareholders' Meeting of 22 April 2020 resolved to renew the authorisation to buy back own shares, pursuant to art. 2357 of the Italian Civil Code, for a duration expiring on the approval of the financial statements as at and for the year ended 31 December 2020. Furthermore, pursuant to art. 2357-*ter* of the Italian Civil Code, the Shareholders' Meeting authorised the use of bought back shares, on the grounds detailed below.

The main elements of the share buyback programme authorised by the Shareholders' Meeting are set out below:

##### 1. Reasons

- to use bought-back shares as consideration for the acquisition of equity investments under the Company's investment policy;

- to use bought-back shares in relation to the exercise of conversion rights or other options on financial instruments issued by the Company, subsidiaries or third parties, and to use the treasury shares for loan, exchange or conferral transactions or to service extraordinary capital transactions or financing transactions or incentives that involve the assignment or disposal of treasury shares;
- to carry out, directly or through brokers, investment transactions, also with a view to containing sharp swings in listed share prices, normalising trading and share price trends and supporting the stock's liquidity on the market, in order to promote regular trading conditions independently of the normal variations tied to market trends, all in compliance with current regulations;
- to take investment or divestment opportunities, when deemed to be to the strategic benefit of the Company, and in proportion to available liquidity;
- to use the treasury shares to service share-based incentive plans, pursuant to art. 114-*bis* of the TUF, and programmes for the bonus issue of shares to the employees or to the members of the board of directors or board of statutory auditors of the Issuer or of an associated company or to the shareholders.

## 2. Maximum number of shares that may be bought back

The authorisation refers to the purchase in one or more tranches of a maximum number of ordinary shares with a per-share nominal value of € 0.26 – taking into account the number of shares held, directly or indirectly, in portfolio from time to time – equal to no more than 10% of the share capital.

## 3. Buyback procedures and information on the minimum and maximum consideration

Buybacks shall be executed, in compliance with the principle of equality of treatment of the shareholders envisaged by art. 132 of the TUF, through any of the procedures specified by art. 144-*bis* of the Issuers' Regulation, to be selected from time to time, and by any other current law and, where applicable, by the market practices allowed from time to time. Furthermore, share buybacks may also be executed through the procedures envisaged by art. 3 of the Delegated Regulation (EU) no. 2016/1052 in order to benefit, where there are appropriate grounds, from the exemption as per art. 5, paragraph 1, of Regulation (EU) no. 596/2014 relating to market abuse with reference to insider dealing and market manipulation.

With regard to disposal transactions, the authorisation would allow any appropriate procedure to be adopted to achieve the specific objectives – including the use of the treasury shares to service share-based incentive plans and/or the sale of property and/or personal rights and/or securities lending – to be implemented directly or through brokers, in compliance with current laws and regulations.

Without prejudice to the purchase of own shares in compliance with the terms, conditions and requirements established by law and community law and by allowed market practices, the minimum and maximum purchase consideration would be set at a per-share price that is not more than 20% below the official market price of Arnoldo Mondadori Editore S.p.A. shares on the day preceding the day of the purchase, and not more than 10% above the official market price on the day preceding the purchase.

With regard to purchase prices, the additional conditions as at art. 3 of the Delegated Regulation (EU) 2016/1052 referred to above would apply in all cases.

In accordance with art. 2357, par 1 of the Italian Civil Code, buybacks would in all cases be executed within the limits of the available "surplus reserve", as reflected in the latest regularly-approved financial statements.

With regard to the definition of volumes and per-share prices, purchases would in all cases be executed in compliance with the conditions governed by art. 3 of the Delegated Regulation (EU) 2016/1052, more specifically:

- shares shall not be purchased at a price higher than the higher of the price of the last independent trade and the highest current independent bid on the trading floor where the purchase is carried out;
- with regard to volumes, daily purchase volumes shall not exceed 25% of the average daily volume of traded Arnoldo Mondadori Editore S.p.A. shares in the 20 trading days preceding the date of purchase.

Purchases for the purpose of supporting market liquidity shall also be executed in compliance with the conditions laid out by the allowed market practices.

#### 4. Duration

The term of the purchase authorisation is until the Shareholders' Meeting called to approve the financial statements as at and for the year ended 31 December 2020, whereas the term of the authorisation for the disposal of treasury shares has no time limits, in view of the absence of indications on the matter under current law and of the advisability of enabling the Board of Directors to act with the greatest flexibility, also as regards time, when disposing of shares.

#### **BUYBACKS EXECUTED DURING THE YEAR**

On 1 June 2020, the Company announced to the market the start of a share-buyback programme, as per art. 5 of EU Regulation 596/2014, in application of the Shareholders' Meeting resolution of 22 April 2020 authorising the buyback and disposal of treasury shares up to a maximum amount of 0.21% of the share capital, for the purpose of furnishing the Company, over the three-year period, with the 543,232 shares needed to meet the obligations under the 2020-2022 Performance Share Plan approved by the same Shareholders' Meeting, and for the continuation of the share-buyback programme to service the 2018-2020 Performance Share Plan and the 2019-2021 Performance Share Plan, in accordance with the terms and conditions set out in the respective Regulations.

As of 31 December 2020, the overall number of treasury shares held, directly or indirectly, by Arnoldo Mondadori Editore S.p.A. was 1,838,326 (0.703% of the share capital), inclusive of the 80,000 treasury shares purchased between 30 November and 2 December 2016 under the shareholder authorisation of 21 April 2016, to support the market liquidity of stock by the specialised operator Equita Sim S.p.A. for trading on the STAR segment.

As at the date of approval of this Report, the total number of treasury shares held was unchanged with respect to 31 December 2020.

#### **MANAGEMENT AND COORDINATION ACTIVITIES (EX ART. 2497 ET SEQ. ITALIAN CIVIL CODE)**

While Fininvest S.p.A. holds a controlling share pursuant to art. 2359 Italian Civil Code, it does not exercise management and coordination activities as per arts. 2497 *et seq.* Italian Civil Code over Arnoldo Mondadori Editore S.p.A., and confines itself to financial management of its equity investment in the Company.

Arnoldo Mondadori Editore S.p.A. exercises management and coordination activities over a large number of companies in the Mondadori Group, as publicised pursuant to art. 2497-*bis* of the Italian Civil Code.

### **3. COMPLIANCE**

Arnoldo Mondadori Editore S.p.A. endorses the general principles of the Corporate Governance Code (hereinafter, "the Code"), in the version published in July 2018, accessible to the public on the website [www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm](http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm), as a model of reference for the outline of its own organisational structure and corporate governance practices.

Prior to the release of the Code, certain aspects of the corporate organisational structure were already substantially in line with respect to the indications provided subsequently by the Code, while others were

introduced as part of a process of gradual adjustment consistent with the specific characteristics of the Issuer's corporate organisation.

The Company's corporate governance system is described below, together with a description of the action taken or planned for alignment with each prescription of the Corporate Governance Code, with the preliminary observation that the Company has adopted the traditional administration and control model.

On 18 March 2021, the Board of Directors carried a resolution to adhere to the Corporate Governance Code of listed companies approved and published by the Corporate Governance Committee in January 2020, in line with the best practices of listed issuers. The Board also agreed to facilitate adoption of the Code by the end of financial year 2021 and will inform the market accordingly in the corporate governance report to be published in 2022.

## 4. BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors was appointed by the Shareholders' Meeting on 24 April 2018, with a three-year term of office, that is, until the Shareholders' Meeting to approve the financial statements as at and for the year ending 31 December 2020.

At the end of the financial year to which this Report refers, the Board of Directors was composed of 14 directors as follows:

- **4 Executive Directors:**

- Marina Berlusconi, Chair.  
Although the Chair does not hold individual management authority in the Company, she qualifies as an Executive Director since she works alongside the Chief Executive Officer on the development of strategies to be submitted to the Board of Directors for approval.
- **Ernesto Mauri**, Chief Executive Officer.
- **Alessandro Edoardo Franzosi**, co-opted on 14 May 2020 to take the place of the Executive Director Oddone Maria Pozzi, who resigned on 22 April 2020; Mr Franzosi qualified as an Executive Director in connection with his position in the Company as Chief Financial Officer as from 4 June 2020.
- **Mario Resca**, Chair of Mondadori Retail S.p.A., a subsidiary operating in direct retail sales to customers and of strategic importance for the Group. Although Mr Resca's position as Chair does not entail individual management authority, it does imply a role in the development of strategies relevant to the retail business.

- **10 Non-Executive Directors**, defined as such because they do not hold individual management authority or executive positions in the Company (or in companies of strategic importance to the Group), nor do they hold such positions in the parent company that may be relevant to the management of the Company:

- Paolo Guglielmo Luigi Ainio
- Pier Silvio Berlusconi
- **Elena Biffi** - who is also an Independent Director
- Francesco Currò
- **Patrizia Michela Giangualiano** - who is also an Independent Director
- **Martina Forneron Mondadori** - who is also an Independent Director
- Danilo Pellegrino

- Roberto Poli
- **Angelo Renoldi** - who is also an Independent Director
- **Cristina Rossello** - who is also an Independent Director

Personal and professional biographies of each member of the Board of Directors can be found on the website [www.mondadori.it](http://www.mondadori.it) - *Governance* section.

The reader is referred to Table 1 attached to this Report for full details about the composition of the Board of Directors.

#### **DIVERSITY CRITERIA AND POLICIES**

Although the Company has not adopted a diversity policy, the current composition of the Board of Directors, with respect to aspects such as age, gender composition and educational and professional background, represents a mix of the key skills and experience necessary for and complementary to the strategic and material contribution required to manage the Company and its specific business.

#### **APPOINTMENT AND REPLACEMENT OF DIRECTORS**

The appointment and replacement of Directors are regulated by current law, as enacted and, to the extent allowed, supplemented by the Articles of Association.

The provisions of art. 17 of the current Articles of Association with regard to the procedures of the list voting system used to appoint Directors are set out below.

Pursuant to art. 17.1 of the Articles of Association, Arnoldo Mondadori Editore S.p.A. is governed by a Board of Directors consisting of not fewer than seven and not more than 15 members, and the number of directors within these limits is established by the Shareholders' Meeting.

Pursuant to art. 17 of the Articles of Association, the Directors are elected by list voting and must be in possession of the requirements indicated by the applicable primary and secondary legislation and may be re-elected. Specifically, pursuant to art. 147-ter, paragraph 4, of Lgs.Decree no. 58/1998, when the Board of Directors is composed of more than seven members, at least two members must meet the independence requirements.

Under Consob Determination no. 44 of 29 January 2021, the current minimum ownership stake required for the submission of lists at Arnoldo Mondadori Editore is set at 2.5% of its share capital. The same minimum ownership stake of 2.5% was applicable at the time of the appointment of the Board of Directors by the Shareholders' Meeting of 24 April 2018.

As a company listed on the STAR segment of Borsa Italiana, under art. 2.2.3, paragraph 3, of the Borsa Italiana Regulation, in order to maintain its STAR status, Arnoldo Mondadori Editore S.p.A. is required, among other things, to guarantee an adequate number of non-executive and independent directors, all with appropriate professionalism and competences for the tasks assigned to them, in compliance with current law.

At its meeting on 4 March 2021, the Board of Directors approved amendments to align the Articles of Association with the new provisions of law concerning gender balance in the governing and control bodies of listed companies, pursuant to arts. 147-ter, paragraph 1-ter and 148, paragraph 1-bis of Lgs.Decree no. 58/1998 (as most recently amended by Law no. 160/2019).

Specifically, Law no. 160/2019 increased the share of the less represented gender in the governing and control bodies of listed companies from one third to two fifths.

One third of the members of the current Board of Directors elected by the Shareholders' Meeting of 24 April 2019 is made up of the "less represented gender" in compliance with the laws on gender balance applicable at the time (Law no. 120 of 12 July 2011).

Pursuant to art. 17, paragraph 3, of the Articles of Association, in relation to the breakdown of the directors to appoint, lists that have not obtained a percentage of votes equal to at least half that required for their presentation are not taken into account, as allowed by art. 147-ter of Lgs.Decree no. 58/1998.

The provisions of the Articles of Association regulating the composition and appointment of the Board of Directors guarantee compliance with legal requirements as per art. 147-ter of Lgs.Decree no. 58/1998 and its implementing rules, as indicated in art. 17 of the Articles of Association set out below.

The Company is not subject to additional laws concerning the composition of the Board of Directors other than the provisions of the Italian Civil Code and Lgs.Decree no. 58/1998, referenced by art. 17 of the Articles of Association set out below.

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

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

*17.2 Before proceeding with the appointment of the members of the Board of Directors, the Shareholders' Meeting shall determine the relevant number and the term of office in compliance with the time requirements established by law.*

*17.3. The Board of Directors is appointed by the Shareholders' Meeting on the basis of lists containing not more than fifteen candidates, with each one being attributed a progressive number. A candidate may only be present in one list, otherwise s/he is ineligible for election. The shareholders with voting rights have the right to submit the lists, alone or together with other shareholders, when they represent at least the percentage of share capital, subscribed as of the date of submission of the list, determined and published by Consob pursuant to the regulation adopted by means of resolution no. 11971 of 14 May 1999 and subsequent changes and additions (hereinafter also "Issuers' Regulation"). The ownership of the share capital is determined by taking into account the shares that have been registered in favour of the shareholders on the day in which the list is filed with the Company, with reference to the subscribed capital as of the same date. The relevant confirmation or certification may be notified or produced also subsequent to the filing of the list, provided that it is served to the Company within the term established for the publication of the lists by the Company. The Company allows the shareholders who wish to submit lists to submit them by at least one means of remote communication, in accordance with the procedures indicated in the relevant call for the Shareholders' Meeting which allow for the identification of the shareholders upon submission. The interest percentage required for the submission of the lists of candidates for election to the Board of Directors is specified in the notice of call for the Shareholders' Meeting convened to deliberate the appointment of the Board. No shareholder may submit or vote more than one list, either directly or through nominees or trust companies. Shareholders belonging to the same group – being herein intended as the parent company, subsidiaries and companies under joint control – and shareholders who have adhered to a shareholders' agreement pursuant to article 122 Lgs.Decree no. 58/1998 referring to the Issuer's shares, may not submit nor vote more than one list, directly or through third parties or trust companies. Any list that contains no more than seven candidates shall include and identify at least one candidate who meets the criteria set out in Lgs.Decree no. 58/1998 for the Independent Directors of listed companies (hereinafter also "Independent Directors pursuant to Lgs.Decree no. 58/1998" or "Independent Director pursuant to Lgs.Decree no. 58/1998").*

*Any list that contains a number of candidates exceeding seven shall include and identify at least two candidates who meet the criteria for directors set out in Lgs. Decree no. 58/1998. In order to ensure gender balance in compliance with the applicable laws and regulations, lists containing three or more candidates must have candidates of both genders, in the proportions indicated by the applicable laws and regulations governing gender balance. The lists are filed with the Company by the twenty-fifth day preceding the date scheduled for the Shareholders' Meeting on first or single call convened to deliberate the appointment of the members of the Board of Directors, and made available to the public at the Company's registered office, on the website and by other means envisaged by the applicable regulatory provisions, at least twenty-one days before the date of the Shareholders' Meeting. The lists shall include: a) information relative to the identity of the shareholders who have submitted the lists with indication of the percentage interest; b) a declaration from the shareholders who have submitted the lists and other than those who hold, also collectively, a controlling interest or a relative majority, certifying the non-existence or the existence of relations with the latter, as per article 144-quinquies, first paragraph, of the "Issuers' Regulation"; c) exhaustive information on the personal and professional characteristics of the candidates as well as a declaration by the same certifying that they meet the requirements envisaged by law and that they accept the candidacy, as well as their eventual compliance with the independence requirements specified in article 148, paragraph 3 of Italian Legislative Decree no. 58/1998. The lists submitted without compliance with the afore specified provisions shall not be presented for voting. Before the vote, the Chair of the meeting shall make reference to any declarations under letter b) above, inviting participants, who have not filed or contributed to the filing of any lists, to declare any possible relations as specified above. Should a party that has relations with one or more reference shareholders vote for a minority list, the existence of such relationship becomes relevant only if the vote is decisive for the appointment of the director. In relation to the breakdown of the directors to be appointed, the lists that have not obtained a percentage of votes at least equal to half that required for the relevant submission are not taken into account.*

*17.3-bis If several lists have obtained the percentage of votes required pursuant to the paragraph above, the directors shall be elected as follows: a) the number of candidates elected to the office of director in the list that has obtained the highest number of votes shall be: (i) directors to be elected except for the last, according to the progressive order of the list or (ii) those indicated in the same list in which their number is lower than the number of directors to be elected; b) also elected will be the remaining director, or the higher number of directors in the cases indicated under (ii) above, from the list that is second in terms of the number of votes obtained and is not connected, directly or indirectly, with the shareholders that submitted or voted for the list that obtained the highest number of votes. If more than one director is selected from the second list, the candidates indicated therein shall be elected in the progressive order in which they are listed. If two or more lists have obtained an equal number of votes, the one presented with the highest share of capital will prevail, or, in the event of a tie, the one with the largest number of shareholders. The first ranking candidate in the list that has obtained the highest number of votes shall be appointed Chair of the Board of Directors. If Independent Directors are not elected from the majority list pursuant to Legislative Decree 58/1998, in the minimum number provided by the provisions of the law and the regulations, instead of the candidate in the first place of the second list in terms of the number of votes obtained, the first candidate, in progressive order, of that list with the aforementioned independence requirement will be elected. If following the completion of the voting and the procedures above the composition of the Board of Directors is not in line with the laws applicable from time to time regarding gender balance, as many elected candidates as necessary will be excluded, from among those that are last in order of preference on the majority list, and replaced with candidates that have the necessary gender characteristics taken from the list based on the progressive order in which they are listed, provided the minimum number of independent directors pursuant to Legislative Decree 58/1998 as required by the applicable provisions is reached. If the procedures set forth in the previous paragraphs of this section 3-bis do not provide the result*

*required with regard to Independent Directors pursuant to Legislative Decree 58/1998 and/or gender balance, the replacement will be made with a resolution of the Shareholders' Meeting carried by relative majority, following presentation of candidacies of individuals who possess the necessary independence requirements or who belong to the less represented gender.*

*17.4 Should one single list be presented, the Shareholders' Meeting shall express its vote on it and, if that list obtains the majority requested by articles 2368 et seq. of the Italian Civil Code, the candidates, in progressive order, shall be elected directors up to the number of directors established by the Shareholders' Meeting. The candidate indicated as first in the list is appointed Chair of the Board of Directors. If by this process for the appointment of a Board of Directors the regulatory provisions concerning Independent Directors and/or the balance between genders are not satisfied, the procedure outlined in paragraph 3-bis above of this article will be adopted.*

*17.5 In the absence of lists or if no person obtains the percentage of votes indicated under par. 3 above of this article or in the case in which through the voting procedure by list the number of candidates elected is lower than the number established by the Shareholders' Meeting, the Board of Directors shall be respectively appointed or supplemented by the Shareholders' Meeting according to the majorities established by law.*

*17.6 In the event that one or more directors cease to hold office for whatever reason, the remaining directors shall replace them by co-opting new directors pursuant to art. 2386 Italian Civil Code, subject to the obligation to ensure the minimum number of Independent Directors pursuant to Lgs.Decree 58/1998 and the applicable provisions with regard to gender balance. In particular: a) if the outgoing director was selected from a list containing names of candidates that were not elected, the Board of Directors shall effect the substitution by appointing, in progressive order, the first candidate who was not elected from the list of the outgoing director, provided (i) the candidate can be elected at the given time and is willing to take on the office and (ii) the provisions applicable from time to time regarding gender balance are complied with; b) if the outgoing director is an Independent Director pursuant to Lgs.Decree 58/1998, the Board of Directors shall effect the substitution by appointing, to the extent possible, the first of the independent candidates who were not elected from the list of the outgoing independent director, provided that the provisions applicable from time to time regarding gender balance are complied with; c) if no previously unelected candidates from the aforementioned list remain, or the procedures for replacement do not allow for compliance with the minimum number of Independent Directors established pursuant to Lgs.Decree 58/1998 or with the laws applicable from time to time regarding the less represented gender, or if, at the time of election, no lists were submitted, the Board of Directors shall replace the outgoing directors without observing the provisions set forth under points a) and b) above, in compliance with the regulations applicable from time to time regarding Independent Directors and gender balance. The appointment, by the shareholders, of directors to replace outgoing directors, including co-opted directors, is made freely with the majorities established by law, without prejudice to the obligation to comply with the minimum number of Independent Directors pursuant to Lgs.Decree 58/1998 and current provisions concerning gender balance.*

The appointment of the members of the Board of Directors by the Shareholders' Meeting of 24 April 2018 was on the basis of the lists presented, pursuant to art. 17 of the Articles of Association ruling at the time and in compliance with the applicable laws and regulations, as follows: one by the majority shareholder Fininvest S.p.A., owner of an interest of 53.299% of the share capital for a total of 139,355,950 share, and the other by a shareholder grouping of asset managers and institutional investors, holding a total of 8,065,686 shares representing 3.084% of the share capital.

The lists in question were accompanied by the declarations of the individual candidates attesting the non-existence of causes of ineligibility and incompatibility and the existence of the requirements for the assumption of

office, and by a curriculum vitae setting out personal and professional characteristics and, where relevant, indicating their qualification as independent pursuant to the Corporate Governance Code and art. 147-ter of Lgs. Decree no. 58/1998 and current regulations.

On 10 November 2020, at the proposal of the Remuneration & Appointments Committee, consistently with the strategic transformation undertaken by the company in recent years with a growing focus on the Books core business, and in anticipation of the expiry of the term of office of the Board of Directors on the date of the Shareholders' Meeting to approve the financial statements as at and for the year ended 31 December 2020, the Board of Directors carried a resolution whereby Antonio Stefano Porro, currently Deputy Chair and Chief Executive Officer of the subsidiary Mondadori Libri S.p.A., would be indicated for the role of future CEO of the Mondadori Group.

Dr. Porro's candidacy is consistent with the findings of the succession plan adopted by the Board of Directors at the proposal of the Remuneration & Appointments Committee and has been suggested to the shareholders who present the lists for the appointment of the new Board of Directors on 27 April 2021.

On 18 March 2021, at the proposal of the Remuneration & Appointments Committee, the Board of Directors approved the Guidance regarding the optimal quali-quantitative composition of the Board of Directors (hereinafter, "Guidance"), in line with Recommendation no. 23 of the Corporate Governance Code, as well as the Policy on criteria for assessment of the independence requirements for directors, which sets out the quantitative and qualitative criteria for assessment of the materiality of the relations indicated in Recommendation 7 heads c) and d) of the Corporate Governance Code. The documents in question have been published on the website [www.mondadori.it](http://www.mondadori.it), Governance section. The Guidance is also available on the 1info authorised storage mechanism ([www.1info.it](http://www.1info.it)).

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

The system of attribution of powers is such as to maintain, within the corporate organisation, the central role of the Board of Directors, which, in accordance with the Articles of Association, is attributed full powers for the ordinary and extraordinary management of the Company, except for those powers categorically reserved by law exclusively for the Shareholders' Meeting, and which oversees the functions and the responsibility for determining the strategic and organisational direction of the Company and the Group.

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

- examines and approves the general outline of the plans proposed by the Chief Executive Officer regarding the industrial and financial strategy of the Company and Group, and ensures that they are implemented;
- examines and approves the corporate governance system of the Company and the structure of the Group;
- with the support and counsel of the relevant Committee, establishes the guidelines of the internal control and risk management system, determining the compatibility of such risks with management consistent with the strategic objectives, and taking into account the risks that could become significant with regard to the sustainability of operations over the medium-long term; at least once a year, assesses the adequacy and effectiveness of the internal control and risk management system as it relates to the Company's characteristics and risk profile;
- at least once a year, and after consulting with the Board of Statutory Auditors and the Director in charge of the internal control and risk management system, approves the action plan prepared by the Head of the Internal Audit function;
- appoints and revokes the Head of the Internal Audit function as proposed by the director in charge of the internal control and risk management system, after obtaining the favourable opinion of the Control & Risks

Committee and consulting with the Board of Statutory Auditors. With the support of the Control & Risks Committee, it also verifies that the Internal Audit function is provided with adequate resources to carry out its responsibilities;

- after consulting with the Board of Statutory Auditors, evaluates the findings set out by the external auditor in any qualified opinion letter and in its report on the fundamental questions that emerged during the statutory audit;
- with the preliminary support of the Control & Risks Committee, evaluates the adequacy of the administrative and accounting organisational structure of the Company and strategically significant subsidiaries, with particular reference to subsidiaries that are significant for consolidation purposes under the criteria set out in art. 165 of Lgs.Decree no. 58/1998;
- attributes and revokes the powers of the Chief Executive Officer, determining their limits and exercise, and, on a proposal of the Remuneration & And Appointments Committee and after consultation with the Board of Statutory Auditors pursuant to art. 2389 Italian Civil Code, determines the remuneration of the Chief Executive Officer and the other directors with special responsibilities;
- using the information it receives from the Chief Executive Officer on at least a quarterly basis, it assesses general operating performance, including a comparison between actual results and projections;
- approves in advance all Company transactions with material impact on business performance, financial position and cash flow.

Specifically, a Board resolution has determined that the following types of transactions be considered to be of material impact, and that their examination and approval be exclusively reserved to the Board of Directors:

- acquisitions, conferrals and sales of equity investments;
- acquisitions, conferrals and sales of companies or company divisions;
- acquisitions, conferrals and sales of real estate;
- definition of joint venture agreements;
- the issue of personal guarantees or collateral to third parties by Arnoldo Mondadori Editore S.p.A., in its own interest or in that of its subsidiaries, for amounts over € 20 million;
- investments in property, plant and equipment of greatest strategic importance and in any case, investments in excess of € 5 million for each single investment.

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

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

Specifically, the following transactions pertaining to subsidiaries are identified as material:

- acquisitions, conferrals and sales of equity investments;
- joint venture agreements;
- acquisitions, conferrals and sales of companies or company divisions;
- acquisition and sale of real estate;
- investments in property, plant and equipment of greatest importance to the Group;
- taking on of loans, issue of personal guarantees or collateral;

in the event that one or more of the following criteria apply:

- a) the transactions qualify as liable to significantly influence the share price pursuant to Lgs.Decree no. 58/1998, and as such are subject to mandatory disclosure to the market;

b) the transactions have a material impact on business performance, financial position and cash flow.

Specifically, any transaction of the types listed above with a value of more than € 15 million in terms of total amount or consideration paid, qualifies as having a material impact on business performance, financial position and cash flow.

In 2020, the Board of Directors held 6 meetings, which were regularly attended by the Board of Statutory Auditors. Each meeting lasted, on average, 2 hours. All the meetings were attended by the Legal & Corporate Affairs Manager. The meetings of the Board of Directors were also attended by the Head of the Internal Audit Function as a member of the Supervisory & Oversight Body, to report on the measures taken to guarantee the fitness for purpose of the internal control and risk management system.

Table 1 attached to this Report shows the attendance rate at the meetings of each director.

With regard to the meetings of the Board of Directors planned for 2021, as of the time of writing, 3 meetings had been held and the following additional meetings are planned, as per the published corporate calendar:

- 13 May 2021 (examination of the interim report on operations as at 31 March 2021);
- 29 July 2021 (examination of the half-year financial report as at 30 June 2021);
- 11 November 2021 (examination of the interim report on operations as at 30 September 2021).

On the initiative of the Chief Executive Officer or at the request of the Directors, the Chair may ask Company or subsidiary heads of division and, as applicable, consultants, to report at Board meetings in order to bring specific issues of their specific divisions to the Directors' attention and deepen their understanding of Company situations and dynamics.

The Chief Executive Officer also ensures that the managers of the business divisions that may have an interest in the items on the agenda be available to intervene at Board meetings if required.

### ***Induction programme***

At its meetings over the course of 2020, the Board of Directors discussed the main issues relating to the operations of the Mondadori Group and the performance of the Company. The meetings provided the participants (directors and statutory auditors) with sufficient knowledge about the Company's sector of activity, the company dynamics, the principles of correct risk management and the relevant laws and regulations.

The Issuer intends to organise, with greater frequency, events and training sessions covering topics including: sustainability in corporate strategy; digital evolution; Information & Technology; analysis of key markets with a special focus on the national and international competitive scenario. All this consistently with the results of the Board's self-assessment process, summarised in a specific section of this Report.

## **CORPORATE OFFICERS**

### **CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer is invested with full operational management authority, except for issues falling under the exclusive authority of the Board of Directors, as described and listed in the previous section "Functions and activities of the Board of Directors".

The Chief Executive Officer reports periodically to the Board of Directors and the Board of Statutory Auditors at their meetings, and in any case at least on a quarterly basis, as required under art. 2381 Italian Civil Code and with regard to the main activities performed in the exercise of his powers and, in particular, on any atypical or unusual transactions or transactions with related parties, approval of which is not reserved to the Board of Directors.

Ernesto Mauri holds the post of Chief Executive Officer (CEO).

There is no interlocking directorate situation as described by application criterion 2.C.6 of the Corporate Governance Code.

#### **CHAIR OF THE BOARD OF DIRECTORS**

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

#### **EXECUTIVE COMMITTEE**

No "Executive Committee" has been formed.

#### **PRE-MEETING INFORMATION**

The Chair of the Board of Directors calls and coordinates the meetings of the Board of Directors; to ensure informed participation, the documentation on the items on the agenda is usually sent to directors and auditors before the meeting, through the offices of the secretary to the Board and the Legal & Corporate Affairs Division, and an average of three days' notice is given, which is deemed adequate, subject to cases of urgent necessity.

In 2020 the term deemed adequate was usually complied with, except in exceptional circumstances where, after careful analysis, notice of the meeting was extended or brought forward, without adversely affecting the completeness of the information to enable the board to operate effectively and in an informed manner.

In cases when it is not possible to provide three days' notice due to specific necessity or urgency, the Chair ensures that adequate and precise details are provided during the meetings and, as happens as a general rule when the term is met, the documentation on more complex matters is accompanied by a summary highlighting the most significant questions to ensure that resolutions are carried on an informed basis.

During the meetings of the Board of Directors, details and full discussion of the items on the agenda are always ensured, to permit an informed decision to be made on the various questions.

The self-assessment process of the Board of Directors for 2020 delivered an extremely positive conclusion, consistently with the previous self-assessments conducted with the support of the Egon Zehnder International S.p.A. company.

On the initiative of the Chief Executive Officer or at the request of the Directors, the Chair may ask Company or subsidiary heads of division and, as applicable, consultants, to report at Board meetings in order to bring specific issues of their specific business divisions to the Directors' attention and deepen their understanding of Company situations and dynamics.

The Chief Executive Officer also ensures that the managers of the business divisions that may have an interest in the items on the agenda be available to intervene at Board meetings if required.

## **NON-EXECUTIVE DIRECTORS**

Thanks to their authoritative knowledge and specific expertise, the Non-Executive Directors make an important and qualified contribution to the resolutions adopted by the Board of Directors.

## **INDEPENDENT DIRECTORS**

At the first meeting of the Board currently in office following its appointment, it was ascertained that the Directors listed below satisfied the independence requirements, based on the information provided by each Director upon his or her nomination as a candidate and upon acceptance of the appointment:

- Elena Biffi
- Patrizia Michela Giangualano
- Martina Forneron Mondadori
- Angelo Renoldi
- Cristina Rossello

Ascertainment of the independence requirements is repeated on an annual basis, with particular reference – except as indicated below with regard to the requirement for a term in office not exceeding nine years in the last 12 years – to all the criteria in the Code, which qualifies as independent Directors who do not have nor have recently had, directly or indirectly, relations with Arnoldo Mondadori Editore S.p.A. or parties connected to Arnoldo Mondadori Editore S.p.A. such as to affect their independence of judgement; for example:

- a) they do not control the Issuer nor are able to exercise notable influence over it, nor are members of a shareholder agreement through which one or more parties can exercise control or notable influence over the Issuer, directly or indirectly through subsidiaries, trust companies or third parties;
- b) they are not nor have been in the previous three financial years a prominent representative of the Issuer, of a strategic subsidiary of the Issuer or of a company under joint control with the Issuer, or of a company or entity that alone or together with others through a shareholder agreement controls the Issuer or is able to exercise a notable influence over it;
- c) they do not have, nor have had over the previous financial year, a significant business, financial or professional relationship, directly or indirectly (for example, through subsidiaries or companies of which they are a prominent representative or as a partner in a professional service firm or consulting firm):
  - with the Issuer, a subsidiary of the Issuer or any of prominent representatives thereof;
  - with a party who alone or jointly with others through a shareholder agreement controls the Issuer, or with prominent representatives of a company or entity;
  - they are not nor have been in the three previous financial years an employee of one of the above-mentioned parties;
- d) they do not receive, nor have received over the previous three financial years, a significant remuneration from the Issuer, a subsidiary or a parent company of the Issuer – including participation in performance-based and/or share-based incentive plans – in addition to their “fixed” emolument as a Non-Executive director of the Issuer;
- e) they have not been a director of the Issuer for more than nine years out of the last twelve years;
- f) they do not hold the position of executive director in any company in which an Executive Director of the Issuer holds a directorship;
- g) they are not a partner or director of a company or entity belonging to the network of the company engaged to audit the Issuer’s financial accounts;
- h) they are not an immediate family member of a person in one of the circumstances referred to above.

The Board of Directors confirmed the independent status of the directors Martina Forneron Mondadori and Angelo Renoldi, despite their lacking one of the requirements laid down in the Code, namely a term in office not exceeding nine years out of the last twelve years.

The confirmation was based on the recognition of the professional qualities, experience and independence of judgement shown in their activities on the Board and the fact that they met the other independence requirements envisaged by the Code.

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

The number and competences of the Independent Directors are adequate for the size of the Board and the activities of the Company, and permit the formation of Board Committees, described in the following sections.

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

Board of Directors	Positions held by directors in other listed companies, as well as in financial companies, banks, insurance companies, or in other large companies
Marina Berlusconi	Chair of Fininvest S.p.A. Director of Mediaset S.p.A.
Ernesto Mauri	Chair of Mondadori Libri S.p.A. Director of Mondadori Retail S.p.A. Chair of Mondadori Media S.p.A. Deputy Chair of Mediamond S.p.A. Chair of Audipress S.r.l.
Paolo Guglielmo Luigi Ainio	Chair of ePRICE S.p.A. (until 6/03/2020) Director of ePRICE S.p.A. (until 1/07/2020) Chair of ePRICE Operations S.r.l. (until 1/07/2020) Director of Pups S.r.l. Chair of il Post S.r.l. Director of P19 S.r.l. Director of Installo S.r.l. (until 1/07/2020)
Pier Silvio Berlusconi	Deputy Chair and Chief Executive Officer of Mediaset S.p.A. Deputy Chair and Chief Executive Officer of Mediaset Italia S.p.A. Chair of Medusa Film S.p.A. Chair and Chief Executive Officer of R.T.I. S.p.A. Director of Publitalia '80 S.p.A. Director of Fininvest S.p.A.
Francesco Currò	
Elena Biffi	Director of FinecoBank S.p.A.
Patrizia Gianguialano	Director of Astm S.p.A. Director of Leonardo S.p.A. Director of Sea Aeroporti S.p.A. Director of Epta S.p.A. Director of PBI - Progetto Banca Idea S.p.A.
Martina Forneron Mondadori	
Alessandro Edoardo Franzosi	Director of Electa S.p.A. Director of Mondadori Education S.p.A.

	<p>Director of Rizzoli Education S.p.A.  Director of Giulio Einaudi editore S.p.A.  Director of Mondadori Libri S.p.A.  Director of Mondadori Scienza S.p.A.  Director of Mondadori Retail S.p.A.  Director of Mondadori Media S.p.A.  Director of Attica Publications S.A.</p>
Danilo Pellegrino	<p>Chair of Il Teatro Manzoni S.p.A.  Chair of ISIM S.p.A.  Chief Executive Officer of Fininvest S.p.A.  Director of Mediaset S.p.A.  Chair of Alba Servizi Aerotrasporti S.p.A.  Director of A.C. Monza S.p.A.</p>
Roberto Poli	<p>Director of FIMITA S.r.l.  Director of Fininvest S.p.A. (until 26/06/2020)  Director of Coesia S.p.A. (until 26/06/2020)  Director of Praesidium SGR S.p.A. (until 17/11/2020)  Director of Ospedale San Raffaele S.r.l.  Chair of the Board of Istituto Ortopedico Galeazzi S.p.A.  Director of Compagnia Generale Trattori CGT S.p.A. (until 7/05/2020)  Director of Tesa S.p.A.</p>
Oddone Maria Pozzi (positions held until 23 April 2020)	<p>Director of Attica Publications SA  Deputy Chair of Mondadori International Business S.r.l.  Director of Mondadori Libri S.p.A.  Director of Giulio Einaudi editore S.p.A.  Director of Mondadori Electa S.p.A.  Director of Mondadori Education S.p.A.  Director of Mediamond S.p.A.  Director of Mondadori Retail S.p.A.  Director of Mondadori Scienza S.p.A.  Director of Direct Channel S.p.A.  Director of Rizzoli Education S.p.A.  Director of Rizzoli International Publications Inc. and Rizzoli Bookstores Inc.  Director of Società Europea di Edizioni S.p.A. (since 18 April 2019)</p>
Angelo Renoldi	<p>Chair of Mediolanum Assicurazioni S.p.A.  Chair of Mediolanum Vita S.p.A.</p>
Mario Resca	<p>Chair of Mondadori Retail S.p.A.  President of Confimprese  Chair of Confimprese Servizi S.r.l.  Private Equity Fund Advisor at Ergon Capital Investment  Director of Visionnaire  Director of Sausalitos Holding GmbH  Director of Fabbrica Servizi Veneranda Fabbrica del Duomo S.r.l.  Director of IPE S.p.A.  Chair of CBI S.p.A. (until 5/12/2019)</p>
Cristina Rossello	<p>Director of Spafid S.p.A.  Director of Spafid Family Office SIM S.p.A.  Director of Branca International S.p.A.  Director of Branca Real Estate S.r.l.  Director of Fratelli Branca Distillerie S.r.l.  Director of Centro Studi Fratelli Branca S.r.l.</p>

Specific guidance is not provided with respect to the maximum number of directorships or auditorships that members of the Board of Directors may hold in the companies in the categories indicated above; this assessment is the responsibility of the individual director when accepting an appointment.

This position is also formulated with reference to the application criteria of the Code relating to the role of the Board of Directors, which recommend that directors accept an appointment only when they deem they can devote the necessary time to the diligent performance of their duties, taking into account, among other things, their own professional and business-related commitments, the number of positions they hold as directors or statutory auditors in other listed companies and in financial companies, banks, insurance companies and other large companies.

## **LEAD INDEPENDENT DIRECTOR**

In line with the recommendations of the Corporate Governance Code, the Instructions and Stock Market Regulation, on 24 April 2018 the Board of Directors confirmed the figure of the Lead Independent Director as the point of reference and coordination of the petitions and contributions of the Independent Directors and, in general, of the Non-Executive Directors.

With the unanimous approval of the Directors, the Independent Director Avv. Cristina Rossello was confirmed as Lead Independent Director, holding office until the mandate of the Board of Directors ends.

The Lead Independent Director:

- collaborates with the Chair of the Board of Directors to ensure the good operation of the Board and guarantee that the Directors receive complete information in a timely manner;
- where necessary, uses the corporate structures for the discharge of the duties assigned and collaborates with the Secretary of the Board of Directors;
- calls, independently or at the request of other Directors, meetings to be attended by Independent Directors only on issues regarding the operation of the Board of Directors or the corporate governance system;
- - is the liaison and coordinator for petitions and contributions from Non-Executive Directors and, in particular, from Independent Directors, within the Board of Directors.

During 2020, the Independent Directors Committee:

- examined the updating of compliance activities with regard to the Company's compliance with new laws;
- verified, on a preparatory level, a number of issues subsequently analysed by the Board of Directors;
- held meetings with company managers to discuss matters relating to their specific areas of business.

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

In 2020, the Board of Directors conducted the self-assessment with the support of Egon Zehnder International S.p.A. (a company that specialises in the field, with no other professional or business relations with the Company), whose services it used in 2018 during the first year of mandate of the current Board of Directors.

The self-assessment was therefore continued on an annual basis, in line with the recommendations of the Code of conduct for listed companies.

The purpose of the self-assessment was to collect the opinions of the Directors on the operations and efficacy of the Board and its committees in 2020, and on the size and composition of the Board, also given that the term of office of the Board of Directors expires with the Shareholders' Meeting to approve the financial statements as at and for the year ended 31 December 2020.

The self-assessment process consisted of (i) distribution of a questionnaire to all the members of the Board of Directors and (ii) individual confidential interviews with some of the Directors.

The data were examined guaranteeing the confidentiality of each director and presented in an anonymous and consolidated form, as a report on the findings and suggestions of the Board as a whole.

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

- The self-assessment was conducted with the participation of a significant number of Directors.
- The first impressions were positive for all the main aspects under assessment, consistently with the previous self-assessment, with no critical elements or issues of note to be brought to the attention of the Board.
- In general appreciation was shown, from both a qualitative and a quantitative view, of the Board's experience, skills and representation of diversity, and for the operation of the Board, in terms of the efficiency and effectiveness of the decision-making process and positive internal dynamics, particularly as regards information provided before Board meetings.

- The assessment of the Board Committees was generally positive with regard to the structure of the existing Committees – which it felt should be confirmed for the new Board – and on the composition and operations of the Committees, and their contribution to the Board. A large majority of the Directors felt it was not necessary to separate the functions of the current Remuneration & Appointments Committee into two separate Committees.

## **5. TREATMENT OF CORPORATE INFORMATION**

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

On 13 November 2019, following the amendments introduced by Consob to bring Italy's secondary legislation into line with European laws governing market abuse (EU Reg. no. 596/2014 Market Abuse Regulation/MAR), the Board of Directors approved the new Procedure on Significant and Insider Information, which replaced the procedure introduced on 28 July 2016.

The Procedure assigns responsibility for managing and applying the Procedure to the Central Manager Finance, Procurement and IT Systems, who, as applicable, is assisted by the Central Finance, Procurement & IT Systems Division (Legal & Corporate Affairs Division, M&A Function and Investor Relations Function) and by the Communication & Media Relations Division, as well as by other functions involved in relation to the contents and type of information.

The Procedure aims to:

- regulate the ways in which corporate documents and information concerning Arnoldo Mondadori Editore S.p.A. are monitored, managed and circulated within the Company, based on confidentiality criteria, especially with regard to significant and insider information;
- regulate the ways in which insider information is disclosed to the market and the public, in accordance with applicable laws and regulations;
- regulate the creation and maintenance of the registers of persons with access to significant and insider information.

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

### **INTERNAL DEALING**

The procedures for the management and communication of documents and information on the Company include the Internal Dealing procedure adopted by the Board of Directors on 28 July 2016 – and subsequently amended on 8 February 2018 – after the entry into force of the new Market Abuse Regulation introduced by Regulation (EU) no. 596/2014.

This procedure concerns disclosure obligations to Consob, the Company, and the public regarding transactions on financial instruments issued by the Company, derivatives and related financial instruments carried out by members of the Board of Directors, the Board of Statutory Auditors, other managers identified as relevant persons who have regular access to insider information and have the power to make decisions that could influence the future growth and outlook of the Company, and people closely associated with them.

The Internal Dealing Procedure: *(i)* identifies the individuals who are required to make internal dealing disclosures; *(ii)* provides these individuals with information on their identification, related obligations and the terms and conditions for fulfilment of the disclosure obligations; *(iii)* identifies the company function (Legal & Corporate Affairs Division) in charge of receiving, managing and disclosing to the market the above information,

filing the communications received and made pursuant to these disclosure obligations, and establishing and updating the Internal Dealing Register.

### **BLACK-OUT PERIODS**

To ensure uniformity of conduct, the Internal Dealing Procedure includes prohibitions on the execution by relevant persons of transactions on financial instruments subject to disclosure in the 30 days before the Board of Directors meets to examine the full-year figures, the half-year figures and the quarterly figures until such data have been released to the market.

The Board of Directors reserves the right to allow the individuals identified as relevant persons under the procedure to carry out all or some transactions on significant financial instruments during a blackout period, provided the circumstances and terms and conditions applicable to derogation from the procedure are satisfied.

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

### **INTRODUCTION**

To facilitate the operation of the Board of Directors, a Remuneration & Appointments Committee and an Internal Control & Risks Committee have been formed, as recommended by the Corporate Governance Code. In addition, a Related Parties Committee has been formed in compliance with the Consob Regulation that governs transactions with related parties. With regard to the Remuneration & Appointments Committee, in 2012, in view of the Company's organisational requirements, the Board of Directors grouped appointment and remuneration powers under a single Committee (the Remuneration & Appointments Committee).

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

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

Although the Board of Directors has not approved a specific budget for each committee, the committees have access, from time to time, to the financial resources they need to perform their duties.

### **REMUNERATION & APPOINTMENTS COMMITTEE**

The Remuneration & Appointments Committee is composed of three Non-Executive and Independent Directors:

- **Angelo Renoldi** Chair - Non-Executive and Independent Director
- **Elena Biffi** Non-Executive and Independent Director
- **Cristina Rossello** Non-Executive and Independent Director

The members of the Remuneration & Appointments Committee were appointed by a resolution of the Board of Directors on 24 April 2018 with a term of office ending with the expiry of the directors' mandate, that is until approval of the financial statements as at and for the year ending 31 December 2020 unless otherwise decided. They possess consolidated professional competences in the field, and appropriate knowledge and experience in financial matters and remuneration policy.

The Committee held seven meetings in 2020, each duly recorded in their respective minutes. Each meeting was also attended by the Chairman of the Board of Statutory Auditors, at the request of the Committee itself, and the average duration was of one hour and 30 minutes.

The attendance rate at the meetings for each member of the Committee is shown in table 1.

During 2021, the Committee's activities will be carried out according to an annual schedule. As at the date of this Report, the Committee has held 3 meetings, duly recorded in the minutes, which were attended by the Chairman of the Board of Statutory Auditors at the Committee's invitation.

The meetings in 2020 and 2021 covered:

- assessments with regard to the Corporate Governance Recommendations for 2020;
- approval proposal 2020 Remuneration Report, Vesting PS Plan 2017-2019, approval proposal PS Plan 2020-2021;
- hypothesis for termination of the contract with Director Oddone Maria Pozzi;
- update on selection for the position of CFO;
- update on the application of the Policy in the first half and analysis of shareholder vote and impact of Covid on the MBO incentive plan;
- update on the application of the Policy in the second half and impact of Covid on active LTI incentive plans;
- update on the drafting of a Succession Plan for the post of CEO of the Mondadori Group;
- - the preparation of a Guidance document on the qualitative and quantitative composition deemed optimal, also taking into account the results of the self-assessment process;
- - the preparation of the Policy regarding the criteria for assessing the independence requirements of directors, containing an indication of the quantitative and qualitative criteria for assessing the significance of the relationships indicated in Recommendation 7 letters c) and d) of the Corporate Governance Code.

On 24 April 2018, the Board of Directors assigned the following functions and duties to the Remuneration & Appointments Committee, confirming those assigned in the previous mandate:

- to advise and make recommendations to the Board of Directors on remuneration policies for Directors and Key Management Personnel (covered by the Remuneration Report, pursuant to art. 123-*ter* of Lgs.Decree no. 58/1998) and perform regular checks – in conjunction with the Central Group Human Resources & Organisation Division – to ensure that the Remuneration Policy is being implemented in compliance with its principles, with findings reported to the Board of Directors;
- to make recommendations to the Board of Directors regarding the remuneration of Directors holding key positions (e.g. Chair, Chief Executive Officer, executive directors and directors on committees);
- to present to the Board of Directors the initiatives undertaken by the Committee to identify and lay down corporate guidelines aimed at retaining and motivating management personnel;
- to make recommendations on the implementation of incentive plans granting financial instruments established by the Shareholders' Meeting in accordance with art. 114-*bis* Lgs.Decree no. 58/1998;
- to express opinions to the Board of Directors on the size and composition of the Board and the professional figures whose presence on the Board would be appropriate, and on any limitations on the number of other positions a Board member may hold;
- to propose new candidates for the position of director to the Board of Directors, in the event of an appointment by co-optation to replace an Independent Director.

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

With regard to operating procedures, the Committee members meet and act collectively any time the Chair deems it necessary, or at the request of the other two members, and in any case with the necessary frequency to perform its functions.

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

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

Specifically, a Director will refrain from participating in Committee meetings in which their remuneration package is being discussed for proposal to the Board of Directors.

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

With the advice and recommendations of the Remuneration & Appointments Committee, the Board of Directors has examined and approved guidelines for a general Remuneration Policy for Directors and Key Management Personnel.

### **REMUNERATION POLICY GUIDELINES**

In general terms and in accordance with the governance model adopted by the Company, market best practice, and the recommendations of the Corporate Governance Code, the Remuneration Policy is drawn up with a view to attracting, motivating and retaining people with the professional skills needed for the Group's growth and to ensuring the attainment of strategic Company objectives for the creation of sustainable value in the medium/long-term, to the benefit of the shareholders and key stakeholders.

As such, the priority is to maintain a close link between remuneration and performance, in both the short and the long term, as the key factor in ensuring that the interests of management are aligned with those of the shareholders, for the continuous improvement of both individual and company performance.

Accordingly, the Company's Remuneration Policy envisages differentiated components of remuneration, in line with the following criteria:

- a correct balance between the fixed and variable components of both short-term and medium/long-term remuneration;
- pre-determined measurable performance objectives;
- maximum and minimum limits for variable MBO and LT remuneration components;
- alignment between remuneration received and creation of value, over time, for the shareholders;
- clear definition of the possibilities for derogation.

### **IMPLEMENTATION OF THE REMUNERATION POLICY**

In compliance with the above principles and guidelines established by the Board of Directors, implementation of the Remuneration Policy is the responsibility of the Board of Directors with regard to remuneration of the Executive Directors and other directors with special powers, and of the Chief Executive Officer, assisted by the Group Central Human Resources & Organisation Division, with regard to remuneration of Key Management Personnel.

The Group Central Manager Human Resources & Organisation reports to the Remuneration & Appointments Committee on the implementation of the Policy, at least on an annual basis.

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

### **REMUNERATION PLANS BASED ON FINANCIAL INSTRUMENTS**

With regard to remuneration plans based on financial instruments, to be submitted to the approval of the Shareholders' Meeting pursuant to art. 114-*bis* of Lgs.Decree no. 58/1998 and eventually subject to specific disclosure to the market in compliance with the applicable laws, the details and application methods are defined

by the Board of Directors with the advice and recommendations of the Remuneration & Appointments Committee, and in line with the risk profile of the Company; reference is made to the general principles of: (i) consolidation of the process for creating sustainable value for the Company and Group in the medium-long term, and for incentivising and retaining management through definition of the terms of duration and multi-year vesting; (ii) assignment or exercise of financial instruments subject to attainment of pre-defined and measurable company and/or market performance objectives; (iii) conditions on beneficiaries' tenure with the company.

With reference to the Performance Share Plans approved by the Shareholders' Meeting on the proposal of the Board of Directors as from 2017 (and rolling plans as from 2018), a description is provided in the documents published pursuant to art. 84-*bis* of the Issuers' Regulation and posted on the website [www.mondadori.it](http://www.mondadori.it) - *Governance* section.

The Shareholders' Meeting convened on first call for 27 April 2021 (and on second call for 28 April 2021) will be asked to adopt a resolution approving the 2021-2023 Performance Share Plan (fourth rolling plan cycle), reserved for the CEO, the CFO-executive director, and selected Company managers.

For a description of the Plan, reference should be made to the document published pursuant to art. 84-*bis* of the Issuers' Regulation and posted on the website [www.mondadori.it](http://www.mondadori.it) – *Governance* section.

#### **REFERRAL TO THE REMUNERATION REPORT**

The aforementioned Remuneration Policy guidelines were developed and adopted under the Report on Remuneration Policy and Fees Paid as envisaged by art. 123-*ter* of Lgs.Decree no. 58/1998, which was approved by the Board of Directors on the proposal of the Remuneration & Appointments Committee and is available on the "1info" authorised storage mechanism ([www.1info.it](http://www.1info.it)) and on the company website [www.mondadori.it](http://www.mondadori.it) - *Governance* section (to which reference should be made for full details).

In accordance with art. 123-*ter* of Lgs.Decree no. 58/1998, the Policy is valid for 2021 and is presented for the approval of the Shareholders' Meeting on an annual basis.

The first section of the Report is presented for a binding resolution of the Shareholders' Meeting called for 27 April 2021 (and on second call for 28 April 2021) to approve the financial statements as at and for the year ended 31 December 2020. The second section of the Report is presented for a non-binding resolution of the Shareholders' Meeting called for 27 April 2021 (and on second call for 28 April 2021) to approve the financial statements as at and for the year ended 31 December 2020.

#### **RELATED PARTIES COMMITTEE**

The Related Parties Committee is composed of three Non-Executive and Independent Directors:

- **Angelo Renoldi**            Chair - Non-Executive and Independent Director
- **Elena Biffi**                Non-Executive and Independent Director
- **Cristina Rossello**        Non-Executive and Independent Director

The members of the Related Parties Committee were appointed by resolution of the Board of Directors on 24 April 2018, and will remain in office until the end of the Board's term, that is until the Shareholders' Meeting called to approve the financial statements as at and for the year ending 31 December 2020, unless otherwise deliberated.

Detailed information about transactions with related parties in financial year 2020 is provided in the Directors' Report on Operations and in the explanatory notes on the separate financial statements and the consolidated financial statements in the 2020 Annual Report available on the website [www.mondadori.it](http://www.mondadori.it) - *Governance* section.

The Related Parties Committee held one meeting in 2020, duly minuted, which looked specifically at a minor transaction concerning the formalisation of the agreement governing the conditions for the termination of the executive managerial contract with the executive director and Group CFO Oddone Maria Pozzi following Mr Pozzi's resignation.

During 2020 a transaction was concluded subject to exemption pursuant to the procedure for transactions with related parties, but of greater significance between Arnoldo Mondadori Editore S.p.A. and the wholly owned subsidiary Mondadori Media S.p.A. with regard to a capital contribution. Information on the transaction is set out in the section "Significant events during the financial year" in the Directors' Report on Operations, also through reference to the disclosure published on 22 December 2020 and available on the website [www.mondadori.it](http://www.mondadori.it) and the authorised storage mechanism ([www.1info.it](http://www.1info.it)). The transaction is not subject to application of the provisions of the Consob Regulation and the Procedures adopted by Arnoldo Mondadori Editore S.p.A. since it is a transaction with a subsidiary in the absence of additional material interests.

The attendance rate at the meetings for each member of the Committee is shown in table 1.

## 7. CONTROL & RISKS COMMITTEE

The Board of Directors has set up a Control & Risks Committee composed of three Non-Executive Independent Directors who, in the Board's opinion, possess appropriate accounting, financial and risk management experience.

The members of the Control & Risks Committee are:

- **Cristina Rossello** Chair - Non-Executive and Independent Director
- **Angelo Renoldi** Non-Executive and Independent Director
- **Patrizia Michela Giangualiano** Non-Executive and Independent Director

The members of the Control & Risks Committee were appointed by the Board of Directors on 24 April 2018 with a term of office until the expiry of the Board's mandate unless otherwise deliberated.

The Control & Risks Committee performs advisory and recommendatory functions for the Board of Directors and, through appropriate preparatory work, supports the assessments and decisions of the Board of Directors with regard to the adequacy of the internal control and risk management system, establishes the system guidelines as well as guidelines for the approval of the financial reports.

The committee coordinates its activities, within its sphere of competence, with the activities of the Board of Statutory Auditors, the independent auditors, the Head of Internal Audit and also with the Director in charge of the internal control and risk management system and the Manager in charge of preparation of the corporate accounting documents.

In compliance with the Corporate Governance Code, the Control & Risks Committee has been tasked with the following duties:

- (i) to assess the action plan drawn up by the Head of Internal Audit, and examine the periodic reports drawn up by the Head of Internal Audit on the assessment of the internal control and risk management system, and those of particular importance prepared by the Internal Audit function;
- (ii) to assess jointly with the Manager in charge of preparation of the corporate accounting documents, after consultation with the independent auditors and the Board of Statutory Auditors, the correct use of accounting principles and their uniformity in the preparation of the consolidated financial statements;
- (iii) to monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit function;

- (iv) to request the Internal Audit function to carry out checks on specific operational areas, and inform the Chair of the Board of Statutory Auditors when such requests are made;
- (v) to report periodically to the Board of Directors and at least every six months in conjunction with the approval of the Annual Report and the Half-Year Financial Report, on activities performed and the adequacy of the internal control and risk management system;
- (vi) at the request of the Director in charge of the control and risk system, to express opinions on specific aspects regarding the identification of the Group's main risks, as well as on the development, implementation and supervision of the internal control and risk management system;
- (vii) to provide the Board of Directors with an opinion on the findings set out by the external auditors in any recommendations and in the reports on questions that emerged during the statutory audit;
- (viii) to provide the Board of Directors with an opinion on the appointment and revocation of and resources assigned to the Head of Internal Audit, and related remuneration;
- (ix) to perform preparatory activities to support the assessments and decisions of the Board of Directors on risk management in connection with detrimental factors that come to the knowledge of the Board of Directors;
- (x) to assist the Board of Directors in making assessments and decisions on sustainability-related issues, with specific reference to the approval of the Non-Financial Declaration;
- (xi) to define the guidelines of the internal control and risk management system, so that the main risks relating to the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, and to determine the compatibility of these risks with company management geared to the strategic objectives identified;
- (xii) to have access the necessary information and corporate functions for the performance of its functions.

In 2020 the Control & Risks Committee held 11 meetings coordinated by the Chair, duly minuted, with an average duration of two hours, with the participation from time to time of the members of the Board of Statutory Auditors, the Head of Internal Audit, the Group Data Protection Officer; it also met with the Ernst & Young auditing firm for the 2019-2027 nine-year engagement, and the heads of some corporate functions.

The attendance rate at the meetings for each member of the Committee is shown in table 1.

During 2020, the Control and Risks Committee:

- approved the 2020 annual Internal Audit activities programme for the Company and its subsidiaries drawn up by the Head of Internal Audit and verified its implementation. The 2020 audit plan for the Parent Company and its subsidiaries envisages action covering seven audit areas:
  - (i) Operational audit: analysis of corporate processes and assessment of their effectiveness (degree of attainment of objectives) and efficiency (costs, timing, resources used);
  - (ii) Compliance audit: application of certain operational provisions and guidelines by the Parent Company and Group companies;
  - (iii) Compliance audit 231: application of Lgs.Decree 231/2001 in support of the supervisory bodies of the Parent Company and the subsidiaries;
  - (iv) Financial audit: the application of Italian Law 262/05, in support of the Manager in charge of preparation of the corporate accounts;
  - (v) Fraud;
  - (vi) IT;
  - (vii) Risk Assessment.
- Analysed the work performed by Internal Audit in 2020, agreeing with the recommendations made and proposing recommendations of its own. Examined the structure and activities of Internal Audit, also to provide support for the supervisory bodies of the Parent Company and the subsidiaries, risk management

activities and the compliance activity of the operating processes. Acknowledged the operational provisions implemented by the Company during the year.

- Examined the preliminary analysis illustrated by corporate management and approved the impairment testing procedure for the separate financial statements as at and for the year ended 31 December 2019 adopted by the Company, noting that the final measurements and valuations relating to the eventual impairment of tangible and intangible assets and equity investments would be the subject of specific examination and approval by the Board of Directors.
- Examined risk reporting at 31 December 2019 and the annual report of the Financial Risks Committee without finding irregularities.
- Reviewed the 2019 annual report and the report at July 2020 prepared by the Control & Risks Committee without finding irregularities.
- Analysed the risk assessment results presented and the report drawn up by the Head of Internal Audit. The scope of activity included both the Parent Company and the Italian subsidiaries.
- Took cognisance of the report prepared by the Head of Internal Audit, Paolo De Benedetti, on the self-assessment of the Mondadori Group's internal control and risk management system.
- Took cognisance of the Group Data Protection Officer's report on activities and related department.
- Analysed the findings of the external auditors in the report on the key issues that emerged during the audit. No failings were observed in the internal control system in terms of financial disclosure, and there were no uncertainties worthy of note regarding business continuity.
- Assessed the principles, methods and reporting procedures for the Non-Financial Statement Lgs. Decree 254/16.
- Held meetings with company managers to discuss matters relating to their specific areas of business.
- Performed preparatory activities to support the assessments and decisions of the Board of Directors relating to the corporate changes that took place in 2020.
- Examined the recommendations in the letter of the Chair of the Corporate Governance Committee with regard to the 7th Report on the Application of Corporate Governance and the "as is" situation of the Mondadori Group in respect of the 2019 recommendations of the Chair of the Corporate Governance Committee.
- Analysed start-up activities for the 2020 risk assessment process.
- Examined the main new features of the new Corporate Governance Code;
- Analysed the general market and industry scenario and management of the Group risk management activity in the "post-emergency" situation.
- Examined the Consob document of 9 April 2020 "COVID 19 – Call for attention to financial disclosure".
- Examined the document drawn up by the Head of Internal Audit on the effects of the COVID-19 epidemic on the businesses of the parent and the subsidiaries.
- Verified the latest update on the Anti-Corruption Compliance Program.

Five committee meetings are planned for 2021.

To date, the Control & Risks Committee has held four meetings during the current year; a summary of those meetings follows:

- on 1 February the Committee:
  - (i) examined the impairment testing methodology for the separate financial statements as at and for the year ended 31 December 2020 adopted by the Company, and approved the measurement methods;

- (ii) planned meetings and activities for 2021;
  - (iii) analysed the aggregate risks for Covid-19 and sustainability with regard to the 2020-2021 Risk Assessment;
  - (iv) took cognisance of the disclosure relating to the new Corporate Governance Code.
- On 11 February the Committee:
    - (i) after consulting with the Board of Statutory Auditors, gave a favourable opinion on the 2021 annual Internal Audit plan for the Company and its subsidiaries drawn up by the Head of Internal Audit, and the annual activities plan of the Internal Control Division;
    - (ii) examined the initial activities on the financial statements as at and for the year ended 31 December 2020 by the external auditors Ernst & Young;
    - (iii) met the Group Human Resources & Organisation Manager for an update on smart working in the Mondadori Group.
  - On 12 March the Committee:
    - (i) met the Communication & Media Relations Manager for an update on activities on the 2020/21 Sustainability Report;
    - (ii) examined the Control & Risk Committee's draft annual report on its activities for 2020;
    - (iii) checked the situation regarding legal disputes as at 31/12/2020 with the Legal & Corporate Affairs Manager, Avv. Di Stefano;
    - (iv) took cognisance of the annual report of the Company's Supervisory and Oversight Body for financial year 2020.
  - On 18 March the Committee:
    - (i) examined the results of the 2020-2021 risk assessment activity presented by the Head of Internal Audit. The activity referred to the update of the results of the Parent Company and the subsidiaries;
    - (ii) having consulted with the Board of Statutory Auditors, approved the report prepared by the Head of Internal Audit, Paolo De Benedetti, on the self-assessment of the internal control and risk management system of the Mondadori Group for 2020;
    - (iii) examined the impairment testing method applied to the assets in the draft financial statements as at and for the year ended 31/12/2020, and met the independent auditors Ernst & Young;
    - (iv) analysed the financial policy related to risk reporting as at 31/12/2020 and the report of the Control & Risks Committee.

The activities carried out by the Committee were regularly reported to the Board of Directors.

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

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

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

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

Among the major themes addressed by the system, special focus is placed on risk management, as the guiding principle that all issuers' internal control systems have in common. In this context, the Board of Directors takes on a fundamental role, as evidenced also by its specific function to *"determine a risk appetite that is consistent with the issuer's strategic objectives, including within its own assessments the risks that can become significant in terms of medium- and medium/long-term sustainability"*. Consistently with the specific risk profile, the Board of Directors is also responsible for defining *"the guidelines of the internal control and risk management system, so that the main risks pertinent to the issuer and its subsidiaries are correctly identified, and appropriately measured, managed and monitored, and also determining the degree to which the risks are compatible with a corporate management aligned with the identified strategic objectives"*. The Board of Directors is also responsible for assessing *"on at least an annual basis, the adequacy of the internal control and risk management system with respect to the characteristics of the company and its assumed risk profile, as well as the system's effectiveness"*. In performing these functions, the Board of Directors is assisted by preparatory activities conducted by the Control & Risks Committee.

In 2008, when the first guidelines for the internal control system were drafted, the Mondadori Group implemented a Risk Management process by adopting a model for the identification, assessment and management of the risks it is exposed to in its area of operations.

#### **GUIDELINES FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

With the favourable opinion of the Control & Risks Committee, the Board of Directors approved the guidelines for the internal control and risk management system and updated the system to take account of the recommendations of the Corporate Governance Code.

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

In accordance with the Code's recommendation to take *"into adequate consideration the reference models and best practices existing at national and international level"*, the reference method is based on the principles set out in the *"CoSO Report"*, one of the most authoritative standards adopted at international level, especially as regards risk identification and management, and on the principles defined under *"CoSO - Enterprise Risk Management (CoSO ERM)"*.

The CoSO ERM – Integrated Framework ensures:

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

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

These strategic objectives are then adapted to the individual business divisions and central functions.

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

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

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

1. objectives;
2. components;

3. scope;  
as described below.

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

The management of the internal control and risk management system offers reasonable assurances with regard to monitoring the risks involved in the achievement of the corporate strategic objectives and related operating objectives, in other words:

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

In this context, the following elements are defined and monitored:

- identification of risks that threaten the achievement of objectives;
- identification and assessment of risks that may become significant in terms of the issuer's medium/long-term sustainability;
- assessment of such risks in terms of impact / likelihood;
- monitoring of current risk responses;
- assessment of risk response effectiveness in relation to identified risks.

In addition, the process for management of the internal control and risk management system put in place to fulfil the three categories of objectives listed above must have the following characteristics:

- it must respond promptly to significant risk situations, while making sure that the proper control activities are in place;
- in the context of business processes, it must ensure an adequate degree of separation between operational functions and control functions, so that conflicts of interest are avoided in the tasks assigned;
- in the context of operational, administrative and accounting activities, it must guarantee use of systems and procedures that ensure the accurate recording of company and business facts and events, while making sure that information flows within and outside the Group in a reliable and timely manner;
- it must provide for timely communication to the appropriate Group levels of significant risks and control irregularities, enabling corrective measures to be identified and promptly executed.

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

The internal control and risk management system takes into account all the components and interrelations to ensure an appropriate overview of the company's situation.

Management of the system components is defined through a risk management process designed to ensure the dynamic nature of the control system.

This process covers the following key issues:

- definition of strategic and operating objectives;
- identification of events that might pose a risk to achievement of objectives;
- definition of management roles and responsibilities (risk owner);
- definition of the level and form of communication;
- process monitoring through on-going and assurance activities.

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

The definition of the internal control and risk management system concerns the entire Group and considers all its different business areas in an integrated manner.

### **c) Periodic communication**

To meet system management information needs, all the update and reporting document flows among the individuals and bodies involved in the management of the internal control and risk management system are implemented: Board of Directors, Control & Risks Committee, director in charge of the internal control and risk management system, Internal Audit.

### **DETERMINATION OF THE LEVEL OF COMPATIBILITY OF RISKS WITH ACHIEVEMENT OF STRATEGIC OBJECTIVES**

In keeping with the methodology it has adopted, as explained above, the Mondadori Group meets with management on a yearly basis to establish and share its mission/vision and strategic objectives, the latter divided into quantitative and qualitative targets.

For the period under review, the following objectives were set:

#### Vision

- focus on the publishing business
- content enhancement
- rationalisation and efficiency

#### Quantitative objectives

- protection of profit margins
- financial stability

#### Qualitative objectives

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

The Board of Directors determined the risk appetite in relation to the identified strategic objectives, in accordance with the risk management process as defined in 2008 and updated on an annual basis. The process determined risk thresholds that enabled three risk levels to be identified (High, Medium, Low) so as to analyse the level of compatibility between expected risk value and attainment of objectives. As part of the process, the Board of Directors determined a risk appetite that, on average, can be defined as cautious, particularly as regards achievement of the following objectives: defending the Group's reputation, compliance with applicable laws and regulations, and adequacy of financial disclosure.

The composition, operation and activities of the parties involved in the internal control and risk management is described below.

### **RISK MANAGEMENT**

The Risk Management function, part of the Internal Control Division, monitors the risk management process, supervising activities and coordinating those involved.

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

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

Each risk factor is associated with the strategic objectives of the Group, as established by the Chief Executive Officer, and the objectives of the individual Divisions as established by first-line management.

Inherent and residual risks are identified and evaluated by the heads of the business units or functions within their specific areas, through a self-assessment, and reporting any mitigating action.

The Risk Management function analyses the information received, and then presents the risk outlook for each division to first-line management for validation.

The next step is risk consolidation: the various risk factors are grouped into similar categories and each one is assigned a weight commensurate with the significance of the Division for the Group.

The results of the Risk Management Process are subject to a specific reporting protocol: the Head of Internal Audit informs the Director in charge of the internal control and risk management system, the Control & Risks Committee and the Board of Statutory Auditors; the Director in charge of the internal control and risk management system then informs the Board of Directors. The relevant bodies use the information to carry out further in-depth analyses.

Internal Audit subsequently verifies the actual existence and effectiveness of the mitigating controls reported by the various areas during the assessment phase.

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

With regard to activities conducted in 2020, the Risk Assessment system for the Parent Company and its subsidiaries was updated and monitored.

The main risks and uncertainties for the Parent Company and subsidiaries are set out in a specific section of the Report on Operations for 2020.

#### **CONTINUATION OF THE IMPACT OF THE CORONAVIRUS EMERGENCY**

The pandemic crisis has put issues relating to health, the environment and well-being back on the global stage in a new and dramatic manner, underscoring the importance of sustainability.

The Mondadori Group had already classified the risk areas with greatest impact for sustainability, and these were joined in 2020 by the risks of the effects of the pandemic.

With the pandemic, companies no longer experience the benefit of planning as a linear process, undisturbed by unforeseen exogenous events.

The lesson from this presupposes the introduction of measures to combat the unpredictability of risks and implement risk management and business continuity principles in order to raise organisations' resilience.

The management plans introduced by the Mondadori Group in response to the pandemic include full and up-to-date mapping of pandemic-related risks, including those with a direct effect on business (suspension of production, slowdown in receipt of customer orders, etc.), as well as those with an indirect effect as a result of organisational measures (production delays, etc.).

An analysis of the mitigating measures is provided in the Annual Report, in the section "Main risks and uncertainties to which the Mondadori Group is exposed".

## **RISKS LINKED TO SUSTAINABILITY**

In connection with the development of the Group's sustainability commitment, and considering the key stakeholders, as part of the Risk Assessment a full and systematic analysis of the risks relating to the social and environmental risks of the corporate activities continued.

Given the deep interdependence and complexity of the economic and social environment in which the business operates, in some cases risk mapping was reconsidered, with an extensive review of the strategic measures put in place so far, in order to reduce the impact of risks and ensure business continuity.

As long as the effects of the pandemic persist, the issues of greatest significance include:

- the supply chain, where the main risks are the possible closure or loss of margins of sales outlets or the possible insolvency of suppliers, as a consequence of the countless situations of financial difficulty caused by current economic conditions;
- risks relating to «protection of intellectual property», «school education» and «product accessibility».

Appropriate mitigating action has been taken in these critical areas.

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

On 24 April 2018, in compliance with the Borsa Italiana Corporate Governance Code, the Board of Directors assigned the post of "Director in charge of the internal control and risk management system" to the Chief Executive Officer, Ernesto Riccardo Mauri. The functions of the position are as follows:

- (i) to execute the guidelines laid down by the Board of Directors and oversee the development, implementation and supervision of the internal control and risk management system, while constantly verifying its adequacy and effectiveness;
- (ii) to identify the main risks for the Company, while taking into account the characteristics of the operations of Arnoldo Mondadori Editore S.p.A. and its subsidiaries, and to submit said risks to the Board of Directors for periodic review;
- (iii) to ask the Internal Audit function to carry out checks on specific operational areas, as well as on compliance with internal rules and procedures in the performance of business operations, and to inform the Chair of the Board of Directors, the Chair of the Control & Risks Committee and the Chair of the Board of Statutory Auditors when such requests are made;
- (iv) to report promptly to the Control & Risks Committee (or to the Board of Directors) on problems or critical situations that may have emerged in the performance of his duties or were brought to his attention, so that the Committee (or the Board) may take the necessary measures.

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

## **HEAD OF INTERNAL AUDIT**

The Head of Internal Audit is responsible not only for organising and managing internal auditing for the Company and its subsidiaries, but also for ascertaining that activities comply with current laws, regulations and the corporate procedures adopted to ensure correct, efficient management and to identify, prevent and manage corporate risks and fraud.

In line with the Corporate Governance Code, the Head of Internal Audit has also been assigned the following functions by the Board of Directors:

- (i) to verify the effectiveness and adequacy of the internal control and risk management system on an ongoing basis and as required by international standards, through an audit plan approved by the Board of Directors, which is based on a structured process of risk analysis and prioritisation;
- (ii) to have direct access to all the necessary information;
- (iii) to prepare regular and sufficiently detailed reports on Internal Audit activities, the ways in which risk is managed and compliance with the risk-containment plans. These reports include an assessment of the adequacy of the internal control and risk management system;
- (iv) to prepare timely reports on events of particular significance;
- (v) to send the reports described in the previous two points to the Chairs of the Board of Statutory Auditors, the Control & Risks Committee and the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- (vi) to use the audit plan to verify the reliability of the Company's information systems, including its accounting systems.

Upon the recommendation of the Director in charge of the internal control and risk management system, and after the favourable opinion of the Control & Risks Committee and consultation with the Board of Statutory Auditors, Paolo De Benedetti was appointed Head of the Internal Audit function on 28 February 2013.

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

The Director in charge of the internal control and risk management system ensures that the Division has resources appropriate for the performance of its duties and establishes the remuneration of the Head of Internal Audit, in line with the compensation levels set for corporate management.

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

The audit plan takes into consideration:

- (i) intervention priorities to allow for allocation of resources based on the materiality and significance of risk exposure;
- (ii) the flexibility required to be able to respond to unexpected situations;
- (iii) adequate audit coverage over all corporate processes.

Activities relating to the Parent Company and its subsidiaries in 2020 involved seven categories of audit:

- (i) Operational: analysis of the company processes and their assessment in terms of efficacy and efficiency.
- (ii) Compliance: the application of some operational guidelines by the Parent Company and companies in the Group.
- (iii) 231 Compliance: application of Lgs.Decree no. 231/2001 to support the supervisory bodies of the Parent Company and its subsidiaries.
- (iv) Financial: application of Law 262/05 in support of the Manager in charge of preparation of the corporate accounts.
- (v) IT: in support of information systems.
- (vi) Fraud.
- (vii) Risk Assessment.

In 2020, during the Covid emergency, a large number of audits were planned to guarantee the planning and effectiveness of the systems for management of the crisis, in order to support Management with on-going indications for any adjustments and ensure that the measures set out in the Mondadori anti-contagion health protocol were correctly applied.

Specifically, action was taken to:

- verify compliance with the emergency laws and data privacy laws, and with all the activities set up by the Company;
- analyse the direct effects on business, for example possible difficulties relating to the supply chain or the sales network;
- examine the indirect impact arising from organisational measures and, in general, from all the government measures taken to prevent the spread of the virus, for example with regard to workplace health and safety in offices and sales outlets.

The overall opinion that emerged showed that the remediations introduced by the Mondadori Group during the emergency were rapid, flexible and practical, and involved and supported all the corporate departments.

Continuous monitoring was conducted over the following months, and additional audits for the continuation of the measures described above will be performed during 2021.

#### **ORGANISATION, MANAGEMENT AND CONTROL MODEL EX LGS.DECREE 231/2001**

On 11 December 2003, the Board of Directors adopted an Organisation, Management and Control Model in compliance with Lgs.Decree no. 231/2001, which introduced the principle of corporate liability into the Italian legal system in connection with certain types of crimes committed by a corporation's directors, managers or employees in the interest or to the advantage of the corporation itself.

On 17 March 2020, the Board of Directors adopted an updated and integrated version of the Organisation, Management and Control Model based on developments in legislation, organisational changes, and to take account of case law and the experience accumulated during the first few years of application of the Model.

The Model, which also takes account of the guidelines drawn up by industry associations, is an additional enhancement to the Company and Group's internal control system. It is composed of:

- a general section including specific information on the key content of Lgs.Decree no. 231/2001 and subsequent additions, the objectives and operation of the Model, the responsibilities of the body charged with overseeing the application and operation of the Model, information flows, the system of penalties for breaches of the Model;
- a special section made up of a series of specific protocols on the types of crimes covered by Lgs.Decree no. 231/2001.

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

#### **SUPERVISORY AND OVERSIGHT BODY**

On 24 April 2018, the Board of Directors confirmed the Supervisory and Oversight Body in line with the Organisation Model as per Lgs.Decree 231/2001 as a collegiate body, whose term expires on expiration of the Board of Directors' mandate or as otherwise deliberated. The members of the Supervisory Body are:

- **Sara Fornasiero** Chair of the Board of Statutory Auditors;
- **Angelo Renoldi** Independent Director;

- **Paolo De Benedetti** Head of Group Internal Audit.

Pursuant to Lgs.Decree no. 231/2001 and subsequent amendments and additions, the Board of Directors has assigned full powers of initiative and oversight to the Supervisory and Oversight Body to guarantee precise and efficient surveillance of the operation and enforcement of the Model, and has authorised free access to all the corporate functions to enable the body to obtain the information and data it requires.

For example and without limitation, the following tasks and duties are assigned to the Supervisory and Oversight Body, to be executed, where necessary, with the cooperation of other corporate functions and external consultants and with full financial autonomy, based on specific budget items:

- (i) to enforce compliance with the Model and report any default and the sectors at greatest risk in view of such default;
- (ii) to oversee the real effectiveness and ability of the Model to prevent the crimes as per Lgs.Decree no. 231/2001 and subsequent additions, with regard to individual corporate units and the activities performed;
- (iii) to ensure that the required stability and functionality of the Model are maintained over time;
- (iv) to oversee the advisability of updating the Model, in the event that it requires adjustment due to regulatory changes or developments within the Company;
- (v) to access records and information from the various corporate functions in order to carry out periodic checks and monitor specific at-risk activities;
- (vi) to promote information and training initiatives on the Model's principles, values and code of conduct.

The Supervisory and Oversight Body reports periodically to the Board of Directors, the Control & Risks Committee and the Board of Statutory Auditors on the work it has carried out, the functioning of the Model and specific situations.

#### **EXTERNAL AUDITOR**

On a reasoned proposal submitted by the Board of Statutory Auditors in accordance with art. 13, paragraph 1, of Lgs.Decree no. 39/2010, on 17 April 2019 the Shareholders' Meeting approved the engagement of the independent auditor Ernst & Young for the nine financial years between 2019/2027 to conduct full-scope audits of the separate and consolidated financial statements and to perform additional services as per art. 14 of Lgs.Decree no. 39/2010; the engagement is also in line with Regulation (EU) no. 537/2014 of the European Parliament and the Council, 16 April 2014, on the specific requirements for the audit of the accounts of public-interest entities.

#### **MANAGER IN CHARGE OF PREPARING THE CORPORATE ACCOUNTS**

At its meeting on 14 May 2020, the Board of Directors accepted the resignation of Dr. Oddone Maria Pozzi as Manager in charge of preparing the corporate accounts with effect from 3 June 2020 and, having heard the favourable opinion of the Board of Statutory Auditors and ascertained compliance with the professionalism requirements envisaged by the Articles of Association, appointed Executive Director Alessandro Edoardo Franzosi to the post of "Manager in charge of preparing the corporate accounts" pursuant to art. 24 of the Articles of Association and art. 154-*bis* of Lgs.Decree no. 58/1998, to hold office from 4 June 2020 until the end of the term of office of the Board of Directors or as otherwise deliberated.

The Board of Directors also assigned to the Manager in charge of preparing the corporate accounts the powers and resources required to exercise the functions envisaged by art. 154-*bis* of Lgs.Decree no. 58/1998 and by all applicable laws, also as regards management and coordination of the corporate functions involved in verifying the accounting administration procedures.

For matters concerning the professional qualifications of the Manager in charge of preparing the corporate accounts, and the appointment procedure employed by the Board of Directors, reference should be made to art. 24 of the Articles of Association, published on the Company website [www.mondadori.it](http://www.mondadori.it) – *Governance* section.

In the performance of his duties, the Manager in charge of preparing the corporate accounts implemented and coordinated a series of organisational and operational measures aimed at meeting legal requirements.

Specifically, he identified a reference operating model based on the “Internal Control Framework” drawn up by the Committee of Sponsoring Organisations of the Treadway Commission, which is the most widely used international standard for internal control systems.

The model’s objective is to ensure reliability in financial reporting, by identifying a series of controls to be implemented during accounting and administrative procedures for the preparation of the separate financial statements, the consolidated financial statements, the half-year financial report and in general any financial disclosure.

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

With the support of the Control & Risks Committee, the Board of Directors ensures that the powers and resources granted to the Manager in charge of preparing the corporate accounts are adequate and that the accounting and administrative procedures are followed.

Specifically, the Board has:

- formalised a set of rules for the Manager in charge of preparing the corporate accounts, which establish procedural and organisational terms for the following:
  - roles and functions exercised by the Manager in charge of preparing the corporate accounts in relation to the tasks and responsibilities assigned to him by law. The powers conferred by the Board of Directors at the time of the appointment are laid out in terms of spending powers and use of internal resources and specific corporate functions for the development, implementation and monitoring of procedures and with regard to the Internal Audit to verify correct application of procedures;
  - the main information flows, and coordination of the respective activities of the Manager in charge of preparing the corporate accounts, the Board of Directors, the Board of Statutory Auditors and the various corporate functions;
- verified the operational model with regard to the methods used to monitor the accounting and administrative procedures, and verify their application.

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

An effective internal control and risk management system must contribute to corporate management in line with the corporate objectives through assumption of informed decisions. The internal control system must therefore not only consider the management of risk in its entirety, but must necessarily be integrated.

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

To this end, the meetings of the Control & Risks Committee are attended by the Board of Statutory Auditors, the Manager in charge of preparing the corporate accounts and, if additional information is required on the management and operation of the company, by the appropriate company management.

Furthermore, the activities of the committee are regularly reported to the Board of Directors.

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

## **INTRODUCTION**

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

In compliance with art. 123-*bis*, paragraph 2, head b), of the TUF, the risk management system as it relates to the financial reporting process is an integral part of the internal control system, that is, a set of rules, procedures and organisational units that guarantee the reliability, precision and timeliness of financial reporting.

In connection with the financial reporting process, as a listed company the Company has appointed a Manager in charge of preparing the corporate accounts, who by law is assigned specific competences, responsibilities and certification and declaration obligations.

In accordance with the Articles of Association and with law, the Manager in charge of preparing the corporate accounts, with the support of the director in charge of the internal control and risk management system and the Board of Directors, has drawn up an internal control model and identified specific activity flows involving a variety of corporate functions providing support for the 262 attestation process.

## **REFERENCE CONTROL MODEL**

In compliance with current legislation, the Manager in charge of preparing the corporate accounts has adopted a universally-recognized control model – COSO's Internal Control Integrated Framework – to assess the design and effectiveness of the internal control system as it relates to periodic financial reporting.

The model allows the internal control system to be assessed at three analytical levels (objectives, context and components), for each of which the features of significance with regard to application in the Group have been selected.

In terms of objectives, the Group's primary focus is its "financial reporting" objective, which aims to ensure timely and reliable financial reporting and accounting.

With regard to context, the purpose of the internal control processes is to provide reasonable assurance regarding:

- preparation of the financial reports and accounts in compliance with the timetables set by law;
- the reliability of the data, information and process used to prepare the financial reports and accounts.

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

With regard to components, used to assess the fitness of the control system to achieve the pre-defined objectives, the focus is on:

- the "control environment", which identifies the parties and instruments for the organisation, assessment and checking of the general internal control system, one of whose objectives is the reliability of business and financial reporting;
- the "assessment of risks", that is, identification of negative events that could prevent the reliability and timeliness objectives of financial reporting from being achieved, and assessment of the risk of such events occurring;
- "control activities", that is, the actions and controls put in place to mitigate the risks that have already been identified and assessed. The control system will be effective to the extent that risks are adequately covered by a risk response and by specific control activities. Risk assessment and identification of control activities were carried out by mapping the accounting and administrative procedures and then assessing their adequacy;

- “monitoring activities”, involving regular checks on:
  - the actual implementation of procedures and above all, of the control activities mentioned above;
  - the proper updating of procedures and above all, of the control activities mentioned above;
- “information and communication”, with the organisation of effective information flows among the parties involved in the internal control system. Specifically, these flows include:
  - informing the parties concerned of the procedures that apply to them;
  - exchanges of information between the parties with a role in the corporate governance system;
  - reporting on the progress of any activities being carried out to improve the internal control system;
  - reporting on any irregularities found during the monitoring process, which are described in subsequent sections of this document.



#### CHARACTERISTICS OF THE INTERNAL CONTROL MODEL

The Manager in charge of preparing the corporate accounts works in conjunction with the corporate governance bodies, the first-level corporate functions and the companies in the scope of consolidation in order to receive information on any activities that have an impact on the Group’s results of operations, assets or financial position.

For the application of the internal control model, the Manager in charge of preparing the corporate accounts liaises with the Process Owners through the Internal Control Division and Internal Audit.

Specifically:

- the Internal Control Division provides support for the preparation of documents to be used to analyse and assess accounting and administrative procedures;
- Internal Audit is mainly involved in verifying that these procedures are implemented.

The Mondadori internal control model consists of the following phases, which were specifically updated during the year under review:

- Planning;
- Mapping;
- Assessment of adequacy;
- Assessment of actual implementation;
- Identification and monitoring of corrective measures.



### **Planning**

The Company has updated its scope of analysis in the “Scope of Analysis Document” to include all of the Group’s subsidiaries consolidated on a line-by-line basis.

Specifically:

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

### **Mapping**

The processes and procedures in the main reporting areas were mapped, highlighting key control activities for coverage of the identified financial reporting risks. The mapping activity was carried out in collaboration with the process owners.

A flow chart was created, indicating activities, support resources, roles/responsibilities.

### **Assessment of adequacy**

Process and procedure adequacy was documented by assessing key control activities relating to identified risks, using a specific effectiveness matrix.

The findings of the assessment were shared with the process owners. Corrective measures were introduced when controls were found to be inadequate.

### **Assessment of actual implementation**

The Internal Audit to assess implementation of key controls was conducted in relation to the mapped processes. The results were set out in specific reports addressed to the Manager in charge of preparing the corporate accounts, which are used to update process documentation and introduce any corrective measures.

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

The internal control model was monitored as follows:

- activation of communication channels with the process owners in order to identify any changes in their activities through “process certification” forms;
- updates of process documentation (flow charts and effectiveness matrices);
- identification and implementation of corrective measures to redress any inadequate key controls;
- preparation of attestation paperwork by the Group companies in the scope of the analysis;
- organisation of information flows to the control bodies.

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

In accordance with art. 2391-*bis* of the Italian Civil Code and the general principles set out in Consob’s “Regulation on Related-Party Transactions” (Resolution no. 17221 of 12 March 2010, as amended, “Consob Regulation”), on 25 November 2010, after receiving the favourable opinion of a committee formed entirely of

Independent Directors, the Board of Directors approved the “Procedures for Related-Party Transactions” (the “Procedures”).

The Procedures replace the previous internal regulation adopted by the Board of Directors. They set out the rules, roles, responsibilities and activities put in place to ensure transparency and the substantive and procedural correctness of related-party transactions executed by the Company directly or through subsidiaries.

Specifically, the current Procedures adopted by the Board of Directors:

- identify and define Related Parties, making reference to the definitions covered by Annex 1 to the Consob Regulations and to IAS 24;
- qualify the criteria for identification of material transactions – to be approved by the Board of Directors subject to the binding favourable opinion of a committee consisting entirely of Independent Directors – and immaterial transactions;
- identify the bodies and entities involved in implementing the Procedures, regulating their respective roles and the information and document flows;
- identify the types of transactions that are exempt from the application of the Procedures.

To reinforce the transparency and substantive and procedural fairness of related-party transactions, some of the Procedures take a more rigorous approach with respect to the options available to companies under art. 4, paragraph 1, head f) of the Consob Regulation.

Consequently, the Procedures envisage:

- a reduction – for specific types of transaction – of the quantitative thresholds indicated by the Regulation for identification of material transactions;
- exclusion of the so-called shareholder “whitewash” mechanism in the event of a negative opinion expressed by the committee of Independent Directors.

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

Generally speaking, in the case of transactions where a director has an interest directly or on behalf of third parties, the director provides the Board of Directors and the Board of Statutory Auditors with a prior disclosure pursuant to art. 2391 Italian Civil Code, and does not attend the Board discussion and vote unless otherwise decided by the Board of Directors, depending on the characteristics of the transaction.

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

Detailed information about transactions with related parties in financial year 2020 is provided in the Directors’ Report on Operations and in the explanatory notes on the separate financial statements and the consolidated financial statements in the 2020 Annual Report available on the website [www.mondadori.it](http://www.mondadori.it) - *Governance* section. In view of the regulatory provisions being issued by Consob pursuant to Lgs.Decree no. 49/2019, the Procedures will be reviewed as required by law.

## **10. BOARD OF STATUTORY AUDITORS**

### **COMPOSITION AND OPERATIONS OF THE BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors consists as required by the Articles of Association of three standing auditors and three substitutes, and was appointed by the Shareholders' Meeting of 24 April 2018. Its term will expire with the Shareholders' Meeting to approve the financial statements as at and for the year ended 31 December 2020.

At the end of the financial year covered by this Report, the members of the Board of Statutory Auditors were:

- Sara Fornasiero                      Chair
- Flavia Daunia Minutillo standing auditor
- **Ezio Simonelli**                      standing auditor
- Mario Civetta                      substitute
- Francesco Vittadini              substitute
- Annalisa Firmani                  substitute

The following table lists the directorships or auditorships held by the current members of the Board of Statutory Auditors of Arnoldo Mondadori Editore S.p.A. in other listed companies:

Board of Statutory Auditors	Positions held by statutory auditors in other listed companies
Sara Fornasiero	Standing auditor of Leonardo S.p.A. Director of Landi Renzo S.p.A.
Flavia Daunia Minutillo	Standing auditor of Banca Generali S.p.A. Standing auditor of Mediaset S.p.A. Standing auditor of Molmed S.p.A. (until 25/06/2020)
Ezio Simonelli	Standing auditor of Mediaset S.p.A. (until 26/06/2020) Standing auditor of Mediaset S.p.A.

The auditors have a three-year term of office and may be re-elected.

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

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

Furthermore, they must meet all legal and regulatory requirements in force.

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

During 2020, the Board of Statutory Auditors held 20 meetings with an average duration of two hours, which were duly minuted. The Board of Statutory Auditors also held meetings with the Control & Risks Committee and the heads of the various corporate functions – including the Head of Internal Audit – with a focus on assessing the adequacy of the internal control and risk management system, and with the external auditors to share information. The Board of Statutory Auditors also met the Supervisory Body, the members of the Boards of Statutory Auditors of the Mondadori Group subsidiaries and the independent auditors, in order to exchange information and regulatory updates.

The meeting attendance rates for each statutory auditor are annexed to this Report.

Compliance with the independence criteria was checked at the time of appointment, pursuant to art. 148, paragraph 3 of Lgs.Decree no. 58/1998 and to art. 8.C.1 of the Corporate Governance Code. The Board of Statutory Auditors ascertains the compliance of its members with the independence requirements on an annual basis. In connection with the end-of-office self-assessment on 4 March 2021, the Board of Statutory Auditors confirmed that its members continued to comply with the independence requirements, and forwarded the outcome of their checks to the Board of Directors.

In conducting these assessments, the criteria set out in the Corporate Governance Code with regard to the independence of the Directors were applied.

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

The provisions of art. 27 of the current Articles of Association with regard to the procedures of the list voting system used to appoint the Board of Statutory Auditors are set out below.

Pursuant to art. 27.1 of the Articles of Association, the Board of Statutory Auditors is appointed by the Shareholders' Meeting on the basis of list voting. It is composed of three Standing Auditors and three substitutes. The Statutory Auditors must comply with the requirements of current law and regulations and of the Articles of Association; specifically they must be registered in the Register of Statutory Auditors and Auditing Firms and have been practising statutory auditors for a period of not less than three years, pursuant to Ministerial Decree no. 162/2000.

Furthermore, pursuant to art. 2402 of the Italian Civil Code and art. 27 of the Articles of Association, the Shareholders' Meeting determines the fees of the Standing Auditors, and the reimbursement of expenses incurred in the performance of their duties.

At the meeting of 4 March 2021, the Board of Directors approved a series of amendments to align the Articles of Association with the new legislation on gender balance in the management and control bodies of listed companies pursuant to arts. 147-ter, paragraph 1-ter and 148, paragraph 1-bis of the TUF (as most recently amended by Law no. 160/2019).

Specifically, Law no. 160/2019 increased the share of the less represented gender in the governing and control bodies of listed companies from one third to two fifths.

One third of the Board of Statutory Auditors appointed by the Board of Directors on 24 April 2018 expresses the "less represented gender" as required by the legislation on gender balance ruling at the time (Law 12 July 2011 no. 120) and also complies with the provisions of Law No. 160/2019 mentioned above.

Furthermore:

- with regard to the equity interest required for the presentation of lists, the Articles of Association, as described below, refer to the percentage that, under the Issuers' Regulation, is established every year by Consob based on the average market capitalisation of companies in the last quarter of each financial year. Currently, under Consob Determination no. 44 of 29 January 2021, the current minimum ownership stake required to submit a list of candidates for Arnoldo Mondadori Editore has been set at 2.5% of the share capital.

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

*Article 27 of the Articles of Association*

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

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

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

2. *The Statutory Auditors shall be appointed on the basis of lists submitted by the shareholders with the procedure described hereinafter. The lists shall contain a number of candidates registered with a progressive number. Each list shall include two sections: one for the candidates as Standing Statutory Auditor and the other for the candidates as Substitute Statutory Auditor. Each candidate may be registered in only one list or otherwise become ineligible.*

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

*In order to ensure the balance between genders in accordance with the regulations currently in force, lists that contain three or more candidates must include candidates of both genders, in the proportions indicated by the applicable regulations on gender balance, for both the post of standing statutory auditor and the post of substitute auditor.*

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

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

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

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

*The interest percentage requested for the submission of the lists of candidates for the election of the Board of Statutory Auditors is specified in the relevant call for the Shareholders' Meeting to resolve upon the appointment of said Board.*

*No shareholder may submit or vote more than one list, either directly or through nominees or trust companies. Shareholders belonging to the same group – being herein intended as the parent company, subsidiaries and companies under joint control – and shareholders who have adhered to a shareholders' agreement pursuant to article 122 of Lgs. Decree no. Decree 58/1998 referring to the Issuer's shares, may not submit nor vote more than one list, either directly or through nominees or trust companies.*

4. *The lists are filed at the Company no later than twenty-five days before the date of the Shareholders' Meeting on first or single call to discuss the appointment of the members of the Board of Statutory Auditors and are made available to the public at the company offices, on the website and through other channels envisaged by the applicable regulations at least twenty-one days before the date of the Shareholders' Meeting.*

*The lists shall include:*

- a) information relative to the identity of the shareholders who have submitted the lists with indication of the percentage interest held;*
- b) a declaration of the shareholders who presented the list other than those who hold alone or jointly a controlling interest or a relative majority, attesting the absence or presence of links with the latter, in compliance with art. 144-quinquies, paragraph 1, of the Issuers' Regulation;*
- c) exhaustive information on the personal and professional characteristics of the candidates as well as a statutory declaration by the same certifying that they meet the requisites envisaged by law and by these Articles of Association and that they accept the candidacy.*

*Candidates may not be appointed Statutory Auditors if they hold office as members of boards of directors or boards of statutory auditors to an extent that exceeds the thresholds established by the relevant applicable law and regulatory provisions.*

*5. In the case in which on the expiry date of the term of twenty-five days before the scheduled date of the Shareholders' Meeting in first or single call convened to resolve upon the appointment of the Statutory Auditors, only one single list has been filed, or the only lists submitted are by shareholders who have relations pursuant to article 144-quinquies of the Issuer Regulation, the lists may be submitted until the third day subsequent to such date. In such a case the threshold referred to in paragraph 3 above is reduced by half.*

*6. The lists submitted without compliance with the afore specified provisions shall not be presented for voting.*

*7. Before the vote, the Chair of the meeting shall make reference to any declarations under letter b) above, inviting participants, who have not filed or contributed to the filing of any lists, to declare any possible relations as specified above.*

*Should any party linked to one or more reference shareholders vote for a minority list, the existence of the relationship becomes relevant only if the vote is decisive for the appointment of the statutory auditor.*

*8. The Statutory Auditors are appointed as follows:*

- a) two Standing Statutory Auditors and two Substitute Statutory Auditors are drawn from the list obtaining the highest number of votes, in the order in which they are named on the list;*
- b) one Standing Statutory Auditor and one Substitute Statutory Auditor are appointed, in the order in which they are named on the list, from the second list that received the highest number of votes and that, pursuant to applicable law provisions, has not, even indirectly, relations with the shareholders who submitted or voted the list with the highest number of votes.*

*In the hypothesis that multiple lists have obtained the same number of votes, a new round of balloting shall be held and those listed candidates who receive a simple majority of the votes shall be elected.*

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

*9. The candidate ranked first on the second most voted list for standing statutory auditors shall be appointed Chair of the Board of Statutory Auditors.*

*10. If only one list is submitted, the Shareholders will vote on it, and if the list obtains the majority required by article 2368 et seq. of the Civil Code, the three candidates in numerical order in the relative section shall be elected as standing auditors and the three candidates listed in progressive order in the relative section shall be elected as substitute auditors; the chairmanship of the Board of Statutory Auditors will go to the person listed at the top of the section of the candidates for the office of standing auditor.*

*11. In the absence of lists and if through the voting list the number of candidates elected is fewer than the number determined by these Articles of Association, the Board of Statutory Auditors will be appointed or*

*supplemented by the Shareholders on the basis of statutory majorities and in compliance with applicable provisions concerning gender balance.*

*12. In the case of the replacement of an auditor, the place will be taken by a substitute auditor from the same list as the former, in compliance with applicable provisions concerning gender balance; in the absence of such compliance, a shift in the order of subjects in the same list as the departing statutory auditor will be made or, alternatively, belonging to any other minority lists on the basis of votes received.*

*When the Shareholders are required to appoint standing and/or substitute auditors to complete the composition of the Board of Statutory Auditors, in compliance with applicable provisions concerning gender balance, they shall proceed as follows: should Statutory Auditors elected from the majority list need to be replaced, their successors are appointed by a relative majority without list constraints; on the other hand, if Statutory Auditors from a minority list are to be replaced, the Shareholders Meeting does so by a relative majority vote, choosing from among the candidates indicated in the list to which the Statutory Auditors to be replaced belonged or, as a second option, from among the candidates contained in any additional minority lists.*

*If there are no candidates in the minority list(s), in compliance with applicable provisions concerning gender balance the appointments are made by voting one or more lists, made up of a number of candidates not greater than those to be elected, presented prior to the meeting in compliance with the provisions laid down in this article for the appointment of the Board of Statutory Auditors. Lists may not be presented (and if presented they are void) by major shareholders or the shareholders related to them, as defined by current legal and regulatory provisions. The candidates in the list that obtains the greatest number of votes will be elected.*

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

*13. In any case of replacement of the Chair, the incoming auditor shall also act as Chair.*

*14. The Shareholders' Meeting establishes the fee due to the statutory auditors in addition to the reimbursement of the expenses incurred in the performance of their activities.*

*15. The powers and duties of the statutory auditors are those provided for by law.*

*16. The meetings of the Board of Statutory Auditors may be held by telecommunications means, provided that all participants are identifiable and that their identification is registered in the relevant minutes and that they are able to follow the discussion and intervene in real time in the discussion of the items on the agenda by exchanging documentation. In this case, the meeting shall be considered held in the place in which the Chair is present.*

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 24 April 2018 on the basis of the lists presented by the majority shareholder Fininvest S.p.A., owner of an interest of 53.299% of the share capital for a total of 139,355,950 shares, and by a shareholder grouping of asset managers and institutional investors, holding a total of 8,065,686 shares representing 3.084% of the share capital.

In accordance with the law and the Articles of Association, the Chair of the Board of Statutory Auditors is elected from the minority list.

#### **STATUTORY AUDITORS' INTERESTS**

If a statutory auditor has an interest in a Company transaction directly or on behalf of third parties, he/she shall promptly provide the other statutory auditors and the Chair of the Board of Directors with full information about the nature, terms, origin and extent of the interest.

#### **SELF-ASSESSMENT OF THE BOARD OF STATUTORY AUDITORS**

As envisaged by the Rules of Conduct for the Board of Statutory Auditors of listed companies issued by Italy's National Council of Professional Accountants and Auditors, the Board of Statutory Auditors conducts a process of self-assessment to gather the opinions of its members on the Board's operations and composition.

On 4 March 2021, the Board performed its annual self-assessment. In terms of methodology, the self-assessment was conducted on the basis of the key elements set out in the Rules of Conduct. The findings were duly recorded in order to provide appropriate disclosure, in this corporate governance report, on the outcome of the self-assessment. During the meeting on 4 March, the Board of Statutory Auditors formalised its guidance for the Company shareholders on the optimal composition of the new board, in order to provide shareholders with a significant tool to assist them in the selection of the candidates for inclusion in the lists for the renewal of the Board of Statutory Auditors. With regard to the ideal quali-quantitative composition of the new Board of Statutory Auditors of Arnoldo Mondadori Editore, analysis of the opinions expressed on both the current and the future structure confirms the Board's collective judgement that the current mix of professional competences should be maintained, in the interests of the continuity of the engagement.

## **11. INVESTOR RELATIONS**

A specific corporate function named "Investor Relations" has been set up to manage relations with institutional investors and, in conjunction with the Legal & Corporate Affairs Division, with shareholders in general.

The Company policy regarding communication with financial market operators is based on the release of full and correct information about its results, initiatives and strategies, in compliance with Consob and Borsa Italiana rules and the need for confidentiality that might be required on certain information; special attention is placed on guaranteeing transparent and timely information to support relations with the financial community.

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

The company has created a special Investor Relations section on its website [www.mondadori.it](http://www.mondadori.it) which is a key tool in publishing information about the Company such as financial results, corporate events, the share price and the events calendar.

## **12. SHAREHOLDERS' MEETINGS**

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

- art. 9 with regard to the calling of the Shareholders' Meeting:
  - the meeting is called by publishing the relevant notice of call on the Company's website, subject to applicable regulations in force;
  - provision for the calling of the meeting, additions to the agenda and the presentation of proposals relating to items already on the agenda at the request of the minority shareholders in compliance with current law;
  - provision for exercise of the right to attend and vote through electronic means when expressly envisaged in the notice of call;
- art. 11 with regard to establishment of the right to attend the meeting and to vote: in compliance with the "record date" principle, entitlement is attested by notification by the broker to the Company based on evidence recorded at the close of the accounting day on the seventh trading day preceding the date set for the meeting and any subsequent changes shall be irrelevant with regard to establishment of the right to vote.

The notification must reach the Company by the close of the third trading day preceding the date scheduled for the meeting or within the indicated term, provided that this is before the meeting commences;

- art. 12 with regard to provision for the designation and notification of proxy voting, also by electronic means, pursuant to art. 135-*novies*, paragraph 6, Lgs. Decree no. 58/1998:
  - possibility to designate a proxy through an electronically-signed, computerised proxy form, as per the instructions in the Meeting's notice of call, by using the relevant section of the Company's website or by sending the designation of proxy form to the Company's certified e-mail address;
  - the power for the Board of Directors to designate a party for each meeting to act as a proxy on behalf of shareholders, with instructions to vote on all or some of the proposals on the agenda;
- art. 16 with regard to the quorum and resolutions of meetings:
  - possibility for the Board of Directors to elect to call both ordinary and extraordinary meetings on single call pursuant to art. 2369, paragraph 1, Italian Civil Code, or through multiple calls pursuant to art. 2369, paragraph 2 *et seq.* Italian Civil Code;
  - enforcement of the legal quora for meetings and resolutions, both on first and subsequent calls as well as on single call.

Documents relating to the items on the agenda are made available to the public, as required by law, at the registered office, on the "1info" authorised storage system ([www.1info.it](http://www.1info.it)) and through publication on the Company website.

The Shareholders' Meeting deliberates with the procedures and on the issues envisaged by law and the Articles of Association, in ordinary and extraordinary meetings.

With reference to art. 2365 Italian Civil Code, the Articles of Association provide for the Board of Directors to carry specific resolutions concerning certain matters that are also the competence of the shareholders, without prejudice to the competence of the shareholders on such matters.

During the year ended 31 December 2020, the Shareholders' Meeting met once, on 22 April 2020.

At the meeting, the Board of Directors reported to the Shareholders on the operations of 2019 and those planned for 2020, also through publication of:

- a report illustrating the draft separate financial statements as at and for the year ended 31 December 2019 and the draft consolidated financial statements as at and for the year ended 31 December 2019;
- a report illustrating the appropriation of the profit for 2019 of Arnoldo Mondadori Editore S.p.A. and the distribution of a dividend to the shareholders;
- a report illustrating the authorisation to buy back and dispose of treasury shares pursuant to the combined provisions of articles 2357 and 2357-*ter* of the Italian Civil Code;
- a report illustrating resolutions pursuant to art. 114-*bis* of the TUF regarding the allocation of financial instruments;
- a report on remuneration pursuant to art. 123-*ter* of the TUF.

The Shareholders are informed about the activities and procedures of the Remuneration & Appointments Committee through this Report, section 6.

### **Regulation for Shareholders' Meetings**

On 24 April 2001 the ordinary Shareholders' Meeting approved a regulation for meetings that, among other things, governs the procedure to guarantee the right of each shareholder to take the floor in the discussion on

the items on the agenda and ensures orderly proceedings and an efficient decision-making process to safeguard the interest of the shareholders as a whole.

The regulation is available for shareholders at the registered office and in the locations at which the meetings are held (and also on the website [www.mondadori.it](http://www.mondadori.it) - *Governance* section).

### **13. OTHER CORPORATE GOVERNANCE PRACTICES**

There is nothing to add with respect to the contents of this report.

### **14. CHANGES AFTER THE REPORTING DATE**

There is nothing to add with respect to the contents of this report.

### **15. REMARKS ON THE LETTER OF 22 DECEMBER 2020 OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE**

The members of the Control & Risks Committee and the Board of Statutory Auditors analysed in detail the six recommendations concerning the areas for improvement highlighted by the Chair of the Control & Risks Committee in 2020.

Their analysis found specifically:

- with regard to Recommendation 1 (Sustainability), that the Company pays fundamental attention to the development and implementation of processes, including internal processes, for establishing sustainability issues as integral and essential to the formulation of corporate strategies, also with regard to the responsibilities of the Board of Directors.
- With regard to Recommendation 2 (Pre-meeting information), that the Company regards implementation of a digitalised system of management for the meetings of the corporate bodies as fundamental and strategic.
- With regard to Recommendation 3 (Application of independence criteria), that on 18 March 2021, the Company – on the proposal of the Remuneration & Appointments Committee – approved the “*Policy on criteria for assessment of the independence requirements for directors*” (“*Policy*”) which sets out the quantitative and qualitative criteria for assessment of the materiality of the relations indicated in Recommendation 7 heads c) and d) of the Corporate Governance Code.
- With regard to Recommendation 4 (Self-assessment of the Board of Directors), that the Board expressed its complete satisfaction with its role in providing strategic guidance for the Company, whose strategy it supports in full. The decisions taken by the Board reflect an appropriate balance between the short term and the medium/long term.
- With regard to Recommendation 5 (Appointment and succession of Directors), that the Company:
  - i) had, on 10 November 2020, on the proposal of the Remuneration & Appointments Committee, approved a specific succession plan for the position of Group Chief Executive Officer;
  - ii) had, on 18 March 2021, on the proposal of the Remuneration & Appointments Committee and in line with Recommendation no. 23 of the Corporate Governance Code, approved the Guidance on the optimal qualitative composition of the Board of Directors in consideration of the findings of the self-assessment.
- With regard to Recommendation 6 (Remuneration policies), that in the Remuneration Policy approved by the Board of Directors (and by the Shareholders’ Meeting), at the proposal of the Remuneration Committee, to which reference is made, the Company sets out all the points contained in the Recommendation of the Chair of the Corporate Governance Committee.

## ATTACHMENTS

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

Board of Directors											Control & Risks Committee		Remuneration & Appointments Committee		Related Parties Committee		Executive Committee (a)		
Office	Members	In office since	In office until (*)	List *	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. other positions **	(*)	(*)	(**)	(*)	(**)	(*)	(**)			
Chair	Berlusconi Marina	24/04/2018	31/12/2020	M	X				2	100									
Chief Exec. Off.*	Mauri Ernesto	24/04/2018	31/12/2020	M	X				5	100									
Director	Ainio Paolo Guglielmo Luigi	24/04/2018	31/12/2020	M		X			7	66.66									
Director	Berlusconi Pier Silvio	24/04/2018	31/12/2020	M		X			6	0									
Director	Biffi Elena	24/04/2018	31/12/2020	M		X	X	X	1	100			100	M	100	M			
Director	Currò Francesco	24/04/2018	31/12/2020	M		X			0	100									
Director	Forneron Mondadori Martina	24/04/2018	31/12/2020	M		X	X	X	0	0									
Director	Franzosi Alessandro Edoardo	17/05/2020	31/12/2020	C	X				9	100									
Director	Gianguialano Patrizia Michela	24/04/2018	31/12/2020	m		X	X	X	5	100	81.8	M							
Director	Pellegrino Danilo	24/04/2018	31/12/2020	M		X			6	100									
Director	Poli Roberto	24/04/2018	31/12/2020	M		X			8	100									
Director	Renoldi Angelo	24/04/2018	31/12/2020	M		X	X	X	2	100	100	M	100	P	100	P			
Director	Resca Mario	24/04/2018	31/12/2020	M	X				9	100									
Director <sup>o</sup>	Rossello Cristina	24/04/2018	31/12/2020	M		X	X	X	6	100	90.9	P	100	M	100	M			
-----DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----																			
Director	Pozzi Oddone Maria	24/04/2018	22/04/2020	M	X				....	100									
<b>No. meetings held during the year under review</b>				<b>Board of Directors: 6</b>				<b>Control &amp; Risks Committee: 11</b>				<b>Remuneration &amp; Appointments Committee: 7</b>				<b>Related Parties Committee: 1</b>			
<b>Quorum required to present a list of candidates at the last appointment: 2.5%</b>						<b>Ownership stake in the Company for the presentation of lists established by Consob Determination no. 44 of 29 January 2021: 2.5%</b>													

### NOTES

- ° Lead Independent Director (LID).
  - Director responsible for the internal control and risk management system.
  - (\*) Until the Shareholders' Meeting to approve the financial statements.
  - \* M/m in this column indicates whether the Board member was appointed from a list voted by a majority (M) or a minority (m); "C" indicates a director elected by co-optation by the Board of Directors.
  - \*\* The number of director or statutory auditor positions held by the person concerned – even for less than a year – in other companies listed on regulated markets, including foreign markets, as well as in financial companies, banks, insurance companies. The number shown also includes all directorships and auditorships held by the person concerned in companies other than the above, including positions held in the Mondadori Group. These positions are described in more detail in this Report.
  - (\*) This column shows the attendance rate for the directors at the 2020 BoD and Committee meetings, respectively (number of times present / number of meetings held during the actual term of office of the person concerned).
  - (\*\*) This column indicates the position of the director on the Committee: "P": Chair, "M": Member.
- (a) An Executive Committee has not been formed.

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

Board of Statutory Auditors							
Office	Members	In office since	In office until (°)	List *	Indep. as per Code	Attendance at meetings **	No. other positions ***
Chair	Fornasiero Sara	24/04/2018	31/12/2020	m	X	100	7
Standing Auditor	Statutory Minutillo Flavia Daunia	24/04/2018	31/12/2020	M	X	95	15
Standing Auditor	Statutory Simonelli Ezio	24/04/2018	31/12/2020	M	X	95	27
Substitute Auditor	Statutory Civetta Mario	24/04/2018	31/12/2020	m	X	-	
Substitute Auditor	Statutory Firmani Annalisa	24/04/2018	31/12/2020	M	X	-	
Substitute Auditor	Statutory Vittadini Francesco	24/04/2018	31/12/2020	M	X	-	
-----AUDITORS WHO CEASED TO HOLD OFFICE DURING THE YEAR-----							
<b>No. meetings held during the year under review: 20</b>							
<b>Quorum required to present a list of candidates at the last appointment: 2.5%</b>				<b>Ownership stake in the Company for the presentation of lists established by Consob Determination no. 44 of 29 January 2021: 2.5%</b>			

**NOTES**

(°) Until the Shareholders' Meeting to approve the financial statements.

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

\*\* This column shows the attendance rate for the statutory auditors at the 2020 meetings of the Board of Statutory Auditors (number of times present / number of meetings held during the actual term of office of the person concerned).

\*\*\* This column shows the number of director or statutory auditor positions held by the person concerned pursuant to art. 148-*bis* TUF, including the position held at Mondadori, even for less than a year. The complete list of these positions is published on the Consob website pursuant to art. 144-*quinquiesdecies* of the Consob Issuers Regulation. In this Report, only the positions held in other listed companies are shown in full.

**TABLE 3: INFORMATION ON OWNERSHIP STRUCTURE**

<b>Structure of share capital</b>				
	<b>Number of shares</b>	<b>% of share capital</b>	<b>Listed</b>	<b>Rights and obligations</b>
Ordinary shares	261,458,340*	100	MTA market - STAR segment	**
Increased-vote shares	139,374,650	53.31	----	----
Shares with limited voting rights	----	----	----	----
Shares without voting rights	----	----	----	----
Other	----	----	----	----

**NOTES**

\* At the date of this Report, the Company holds a total of 1,838,326 treasury shares with voting rights suspended as required by law.

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

<b>Major shareholders</b>			
<b>Declarant</b>	<b>Direct shareholder</b>	<b>% of ordinary share capital</b>	<b>% of voting share capital</b>
Silvio Berlusconi	Fininvest S.p.A.	53.299	69.853
Silchester International Investors LLP *	Silchester International Investors LLP (as manager of, among others, the Silchester International Investors International Value Equity Trust which holds 5.95% and the Silchester International Investors International Value Equity Group Trust which holds 3.23%)	12.56	8.192

**NOTES**

\* Equity interest by way of "discretionary asset management".