

**CORPORATE GOVERNANCE REPORT AND
OWNERSHIP STRUCTURE**

Pursuant to Art. 123 bis TUF

GRUPPO EDITORIALE L'ESPRESSO SPA
www.gruppoespresso.it
(Financial Year 2012)

27 February 2013

TERMINOLOGY

Code/Code of Conduct: the Code of Conduct of listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria.

C.C./ c.c.: the Italian Civil Code.

Board: Board of Directors of the Issuer.

Issuer: the issuer of movables to which the Report refers.

Financial Year: the accounting year to which the Report refers.

Consob Issuers Regulations: the regulations issued by Consob with resolution n. 11971 of 1999 (as subsequently amended) relatively to issuers.

Consob Market Regulations: the regulations issued by Consob with resolution n. 16191 of 2007 (as subsequently amended) relatively to markets.

Consob Related Parties Regulations: the regulations issued by Consob with resolution n. 17221 of 12 March 2010 (as subsequently amended) relatively to operations with related parties.

Report: the corporate governance report and the ownership structure which companies are held to draw up in pursuance of art. 123-bis TUF.

TUF/Testo Unico della Finanza: Consolidated Law - Legislative Decree n. 58 of 24 February 1998

INTRODUCTION

The present Report aims to illustrate the corporate governance system adopted by Gruppo Editoriale L'Espresso SpA (hereinafter also the "Company"). This system is essentially in line with recommendations contained in the Code of Conduct issued by the Committee for the Corporate Governance of Listed Companies and promoted by Borsa Italiana SpA (hereinafter also the "Code").

In observance of applicable regulatory and legislative obligations, the Report also contains information on the ownership structure of the company; after having been approved by the Board of Directors meeting held on February 27, 2013, it will be made available to shareholders together with the documentation envisaged for the shareholders' meeting to be called for the approval of the financial statements at December 31, 2012, and simultaneously forwarded to Borsa Italiana (the Italian Stock Exchange), so as to facilitate its disclosure to the general public. The Report will also be available in the "Governance" section of the institutional Company website, **www.gruppoespresso.it**, together with other documents of interest for the market.

The amendments made in December 2011 to the Code of Conduct for Corporate Governance have been acknowledged and approved by the Board of Directors and included within this report.

1. THE ISSUER'S PROFILE

1.1) Short profile of the Gruppo L'Espresso

Gruppo Editoriale L'Espresso SpA is one of the most important Italian companies in the media industry whose business activities stretch from the daily and periodical press and publishing sectors to radio stations, advertising sales, Internet and television. The Company, directly or indirectly via its subsidiaries (hereinafter also the "Group" or the "Espresso Group") is the owner and editor of the daily newspaper "la Repubblica", the weekly publication "L'Espresso" and seventeen local newspapers (including one which comes out three times a week); it is the owner of three national radio stations, including "Radio DeeJay" (leader in terms of listeners among the main private broadcasters in Italy) and a number of national TV channels, including "DeeJay TV". The Espresso Group presents itself as a branded content company capable of promoting its own high quality original contents to its readers and listeners wherever they are and at any time of the day, thanks to a multi-platform strategy.

1.2) Corporate Governance System adopted

Gruppo Editoriale L'Espresso SpA's governance system is based on the principles and criteria expressed in the Code of Conduct of the Borsa Italiana SpA (hereinafter the "Code"), which the Board of Directors complies with.

Reference should be made to the examination of the individual points in the report for a more accurate analysis of the Corporate Governance System.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to art.123 bis, par. 1, TUF)

a) Share capital structure (pursuant to art.123 par. 1, sub a), TUF)

The company's subscribed and fully paid-in share capital amounts to €1,534,498.20, represented by 410,229,988 ordinary shares bearing the right to vote.

The share capital is made up as follows:

	Number of shares	% vs share capital	Listed	Rights and obligations

Ordinary shares	410,229,988	100%	MTA	-
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The Company has not issued shares with limited voting rights or lacking such rights, and there are no convertible bonds or warrants which grant the right to subscribe newly-issued shares in circulation.

The Company has adopted stock option plans which involve share capital increases as described in the financial statements in the sections “Information required by Consob Regulation no. 11971”, available on the company’s institutional website (www.gruppoespresso.it) in the “Investors” section, as well as in the disclosure documents drawn up in accordance with Article 84 bis of the Issuers’ Regulations, also available on the website in the “Governance” section.

b) Share transfer restrictions (pursuant to art.123 bis, par. 1, sub b), TUF)

The Company’s shares can be freely transferred, with the exception of a number of restrictions applicable to specific categories of individuals for limited periods of time on the basis of the Code of Conduct relating to Internal Dealing published in the “Governance” section of the Company website.

The 2011 and 2012 Stock Grant Plans envisage a “minimum holding” commitment for the shares assigned to the beneficiaries, who have the irrevocable commitment to hold a number of shares equal to at least 10% of those assigned permanently, until the fifth anniversary from the assignment date. During this period, the shares will therefore be subject to said disposal restriction, unless authorized otherwise by the Board of Directors.

c) Significant investments in the share capital (pursuant to art.123 bis, par. 1, sub c), TUF)

Below are the names of the shareholders who, as envisaged by Consob resolution 11971/99, directly and/or indirectly hold investments greater than 2% of the share capital with the right to vote, as emerges from the shareholders’ register at December 31, 2012, together with the subsequent communications made as per Article 120 of the TUF and the other information available to the company.

Majority shareholders

Declarer	Percentage of ordinary capital	Percentage of voting capital
Carlo De Benedetti	53.818%	55.850%
Giacaranda Maria Caracciolo di Melito Falck	6.296%	6.534%
Carlo Edoardo Revelli	2.809%	2.915%
Fond. Cassa di Risp. Di Trieste	2.647%	2.747%
Margherita Revelli	2.598%	2.696%
Giulia Maria Crespi Mozzoni	2.353%	2.442%
Bestinver Gestion SA SGIIC	2.155%	2.237%

Shareholders directly holding more than 2%

Direct shareholder	Percentage of ordinary capital	Percentage of voting capital
Cir SpA	53.817%	55.849%
Sia Blu SpA	6.296%	6.534%
Prosper SpA	2.809%	2.915%
Fond. Cassa di Risp.di Trieste	2.647%	2.747%
Erga Omnes SpA	2.598%	2.696%
Alpa Srl	2.070%	2.149%
Bestinver Gestion SA SGIIC	2.155%	2.237%

d) Shares carrying special rights (pursuant to art.123 bis, par. 1, sub d), TUF)

There are no securities which confer special controlling rights.

e) Employee share ownership: mechanism to exercise voting rights (pursuant to Art. 123 bis, par. 1, sub e), TUF)

No specific mechanism is envisaged for exercising voting rights in the event of employees with investments in the share capital.

f) Restrictions on the right to vote (pursuant to Art. 123 bis, par. 1, sub f), TUF)

No restrictions on the right to vote exist.

g) Agreements between shareholders (pursuant to art.123 bis, par. 1, sub g), TUF)

The Company has been informed of the existence of a shareholders' agreement which concerns a total of 48,009,720 ordinary Gruppo Editoriale L'Espresso SpA shares. An

extract from the shareholders' agreement with indication of the parties complying with the same is available on the Company website.

h) Change of control clauses (pursuant to Art. 123 bis, par. 1, sub h), TUF) and statutory provisions regarding take-over bids (pursuant to Art. 104, par. 1 ter, and 104 bis, par. 1)

The company has not entered into any significant agreements which envisage the so-called "change of control" clause or clauses which become effective in the event of change investment control of Gruppo Editoriale L'Espresso SpA.

The Company's statute does not envisage exceptions to the provisions on the passivity rules envisaged by Article 104, paragraphs 1 and 1 bis of the TUF, or the application of the neutralization regulations contemplated by Article 104 bis, paragraphs 2 and 3 of the TUF.

i) Power of attorney to increase the share capital and authorization to purchase own shares (pursuant to Art. 123 bis, par. 1, sub m), TUF)

i.1) Power of attorney to increase the share capital

The Extraordinary Shareholders' Meeting held on April 20, 2011 granted the Board of Directors the power to increase the share capital for a period of five years:

(i) for a maximum amount of €300 million in par value, involving the issue of shares with or without a share premium, also belonging to specific categories, to be offered under subscription and also to service warrants or the conversion of bond issues even issued by third parties, both in Italy and abroad, or to be assigned as bonus issues to those with the right to them, by means of charging the available portion of the reserves and funds emerging from the last set of approved financial statements to capital;

(ii) for a maximum amount of €10,000,000 in par value, involving the issue of ordinary shares to be reserved for subscription by employees of the company and its subsidiaries and parent companies in accordance with Article 2441, paragraph 8, of the Italian Civil Code, with the faculty for said Board to establish the issue price which must be no lower than the par value, the subscription requisites and the limits of availability of said shares, as well as in general, the formalities and deadlines for such subscription.

i.2) Authorization to purchase own shares

The ordinary shareholders' meeting held on April 23, 2012, having taken due note that the buy back, also in consideration of the Group's equity structure, could be an instrument to be used for creating value for the shareholders, revoked the previous power to purchase own shares for the period not yet applicable and for the portion not yet exercised and, at the same time, granted new authorization with the following characteristics:

- a) duration: 18 months;
- b) maximum number of ordinary shares which can be purchased: 20,000,000 equal to around 4.88% of the share capital existing at that time;
- c) the price of each purchase of shares will have to be no higher than 10% and no less than 10% with respect to the reference price reported by the ordinary shares in the session of the organised market prior to each transaction.
- d) the purchase shall have to take place on the market, as for the formalities agreed with the market management company so as to ensure equal treatment between the shareholders, in compliance with the matters laid down by Article 132 of Italian Legislative Decree No. 58/1998 and by the provisions of the law or regulations in force at the time of the transaction and in detail:
 - with a take-over bid or public offer for exchange;
 - on organised markets in accordance with the operating formalities established in the regulations for the organisation and management of said markets, which do not permit the direct combination of the trading proposals purchase side with pre-determinate trading proposals sales side.

In observance of this power of attorney and those granted in previous years, the company at December 31, 2012 held a total of 14,925,064 own shares, equal to 3.6382% of the shares making up the share capital of Gruppo Editoriale L'Espresso SpA.

I) Management and co-ordination activities (pursuant to Art. 2497 et seq. of the Italian Civil Code)

The Company is subject to the management and co-ordination activities of the parent company Cir SpA. The subsidiaries directly and indirectly controlled by Gruppo

Editoriale L'Espresso SpA have indicated the latter as the party which performs management and co-ordination activities.

It is hereby stated that:

- the information requested by Article 123 bis, paragraph 1, sub i) of the TUF (*the agreements between the company and the directors... which envisage in the event of resignation or dismissal without just cause or if their relationship ends following a take-over bid*) is contained in the Remuneration Report published in accordance with Article 123 ter of the TUF;
- the information requested by Article 123 bis, paragraph 1, sub l) of the TUF (*“the provisions applicable to the appointment and replacement of the directors... as well as the amendment of the Articles of Association, if different to the legislative and regulatory provisions applicable on an additional basis”*) is illustrated in the section of the Report dedicated to the Board of Directors (Section 4.1).

3. COMPLIANCE (pursuant to art.123 bis, par. 2, sub. a), TUF)

The Company complies with the Borsa Italiana SpA's Code approved by Corporate Governance Committee (amended in December 2011) which is available to the general public on the Borsa Italiana website (www.borsaitaliana.it), in accordance with the matters specified in the various sections of this Report.

Neither the company nor the subsidiaries are subject to foreign legal provisions which influence the company's Corporate Governance structure.

4. BOARD OF DIRECTORS

4.1) Appointment and replacement of Directors (pursuant to art.123 bis, par. 1, sub l), TUF)

Article 15 of the statute establishes that:

- a) the members of the Board of Directors are appointed on the basis of lists of candidates; in the event just one list is presented or put to the vote, all the Board members will be elected from this list;

- b) the minimum holding required for the presentation of the lists is equal to 2.5% of the share capital with the right to vote during ordinary shareholders' meetings or another percentage which may be established in accordance with the laws or regulations;
- c) shareholders who, alone or together with others, represent at least 20% of the share capital with the right to vote in ordinary shareholders' meetings, can present lists containing no more than three candidates;
- d) in the event that no list has been presented or put to the vote or a number of directors lower than the number established by the shareholders' meeting is elected, the meeting shall have to be called again;
- e) in order to be able to take part in the appointment of the directors, the lists presented must obtain a percentage of votes at least equal to half that required for the presentation of the lists and the candidates must possess the requisites of good standing envisaged by the TUF for statutory auditors;
- f) as many Board members representing all those to be elected less one are taken from the list which has obtained the greatest number of votes;
- g) one director is taken from the second list which has obtained the most votes, and which is not connected in any way with the shareholders who have presented the list which came first;
- h) at least one of the members of the Board of Directors, or at least two, if the Board is made up of more than seven members, must possess the independence requisite established for the statutory auditors by the TUF;
- i) in the event just one list is presented or put to the vote, all the Board members are taken from this list;
- j) if, as a result of resignation or for other reasons, one or more directors fall from office, steps will be taken to replace them in accordance with Article 2386 of the Italian Civil Code, ensuring observance of the applicable requisites.

The lists of candidates for the office of directors are deposited in accordance with the deadlines and under the formalities envisaged by applicable legislation and for each candidate contain a professional profile, a declaration of the existence of the requisites of good standing and the inexistence of causes of ineligibility or incompatibility as per the law, as well as indication of any suitable for qualifying as independent.

By means of Consob resolution No. 18083 dated January 25, 2012, pursuant to Article 147 ter of the TUF, the minimum investment holding required for the presentation of a list of candidates for the office of director of Gruppo Editoriale L'Espresso SpA has been confirmed as 2.5%.

Upon the indication of the Appointments and Remuneration Committee, the Board of Directors adopted a plan for the succession of the Executive Directors, by means of resolution dated January 31, 2013. The plan envisages the procedure for disciplining the process to be followed for ensuring the succession of the executive director in the event of his sudden unavailability, termination or suspension from office other than in the case of natural expiry of the office.

The succession plan is subject to periodic review by the Appointments and Remuneration Committee and in any event to assessment at least every three years.

4.2) Composition (pursuant to Art. 123 bis, par. 1, sub d), TUF)

The Statute establishes that the Board of Directors must be made up of between seven and nineteen members.

The Ordinary Shareholders' Meeting held on April 23, 2012 appointed a Board of Directors made up of thirteen members for a three-year period, until approval of the 2014 financial statements. Reference should be made to the attached Table 2, for the composition of the Board of Directors in office and other information relating to the same. The main professional characteristics of the directors can be found on the Company website, in the "Governance" section - Board of Directors.

The Independent Directors represent the majority of the Board of Directors and the number and authoritativeness of the same is such that it guarantees that their opinion may have a significant influence on the adoption of board decisions, contributing to the formation of balanced decisions especially in the event potential conflicts of interest exist.

It is hereby specified that the criteria used for qualifying Board members as independent have not been supplemented or amended with respect to those envisaged by the Code.

4.2.1) Maximum number of offices which can be covered in other companies

The directors, who act in full awareness of the facts and independently, accept their office when they deem that they can dedicate the necessary amount of time to the diligent performance of their duties, also taking into account the number of positions as director or statutory auditor they cover in other companies listed on organised markets, in finance, banking or insurance companies or those of significant size. They are also obliged to inform the Board of any activities in competition with the company and of any significant change.

The Board Meeting held on January 31, 2013 approved an approach relating to the maximum number of offices of a Director or Statutory Auditor, envisaging certain limits to the number of appointments which can be covered by the Executive and non-Executive Directors of Gruppo Editoriale L'Espresso SpA in other listed companies on organised markets, in finance, banking or insurance companies or those of a significant size (Significant Companies), and in particular:

1. Executive Directors: in Significant Companies not belonging to the group of the parent company CIR SpA:

- cannot cover offices as Executive Director and/or auditor
- can cover a maximum of 5 offices as non-Executive Director;

2. Non-Executive Directors: can cover a maximum of 5 offices as non-Executive director and/or auditor and 2 offices as Executive directors in other Significant Companies not belonging to the group of the parent company CIR SpA.

The possibility of departing from these limits is in any event envisaged, by means of resolution justified by the Board of Directors, which also takes into account the level of participation of the Director involved in the work of the board and the committees.

The current Board of Directors meets the criteria illustrated above.

It is also hereby specified that the Board of Directors assesses the independence of the directors at least once a year, also taking into account the information which the individuals concerned are obliged to supply. Without prejudice to the provisions of Article 147 ter, paragraph 4 of the TUF, the company intends to introduce the obligation for the director who has lost the capacity of independence as per the provisions of Borsa

Italiana SpA's Code Conduct (Criterion 3.C.1) to resign, without prejudice to the faculty of the Board to evaluate any specific case allowing possible exceptions.

4.2.1) Induction Programme

The Chairman makes sure that the Directors and Statutory Auditors can take part, subsequent to appointment and during their mandate, in initiatives aimed at providing them with adequate knowledge of the sector of activities in which the company operates, the corporate dynamics and their evolution, as well as the legislative framework of reference.

With regard to the disclosure on business sectors, the Managing Director presents periodic disclosures on the performance of the markets and the business during Board meetings.

During the Board self-assessment processes, the Directors are required to express specific requests of an informative nature, which are satisfied during a maximum of 2 induction meetings to be held during each year.

Any specific disclosure sessions for the Board members, with the support of vocational training experts, may be organised at the time of the renewal of the Board of Directors and subsequently, each time the evolution of the legislative framework requires an update in this sense.

4.3) Role of the Board of Directors (pursuant to Art. 123 bis, paragraph 2, sub d), TUF)

4.3.1) Functioning of the Board of Directors

The Statute establishes that the Board of Directors meets as a rule on a quarterly basis upon calling by the Chairman and in any event each time corporate needs require it. Board meetings can also be called upon the request of at least two Directors, or the Board of Statutory Auditors or at least one of its members, subject to communication to the Chairman of the Board of Directors.

The Board of Directors is called by the Chairman or by whomever takes his place by means of letter, registered mail, telegram, fax, e-mail message or equivalent means which will have to be received at least five days before the date of the meeting. In urgent cases, the deadlines for calling are reduced to one day.

The Board of Directors has regulated the information flows from the Chairman and the Managing Director to the Board of Directors, envisaging that the same report on the performance of their powers in relation to the activities carried out and in any event at least once a quarter.

The statute also establishes the information flows for the Board of Statutory Auditors. It is in fact envisaged that the directors report promptly, at least on a quarterly basis, to the Board of Statutory Auditors on the activities carried out and the transactions of greatest economic, financial and equity significance carried out by the company, with particular reference to transactions in potential conflict of interests. It is also envisaged that the disclosure can be provided directly, in written form or verbally and/or via telephone, if particular time-related requirements make such methods preferable.

4.3.2) Activities carried out in 2012 and forecast for 2013

During 2012, the company's Board of Directors met seven times, with the percentages of participation of the directors indicated in Table 2 attached hereto. The Board meetings had an average duration of around one hour and forty minutes.

Six Board Meetings have been scheduled for 2013, one of which held on January 31 and one on February 27.

4.3.3) Pre-meeting disclosure

The Chairman takes steps so that the members of the Board and the Statutory Auditors are provided with the information and documentation necessary for permitting said Board to express itself in an informed manner on the business submitted for its attention and approval, possibly supplemented by a summary document, if particularly bulky and complex. For such purposes, the deadline of 24 hours previously adopted and normally observed for the forwarding of the documentation, is extended to 48 hours beforehand with respect to the date of the meeting (except in justified circumstances) by means of resolution of the Board.

4.3.4) Formalities for the business of board meetings

The Chairman co-ordinates the activities of the Board of Directors and guides the business of the related meeting, making sure that the necessary time is dedicated to the

business on the agenda so as to permit the discussion and encourage the contribution of the Board members. He may request the Managing Director, also upon the request of one or more Directors, that the executives of the Company and those of the Group companies take part in the board meetings so as to provide appropriate analysis, participation which represents a consolidated practice for the Company.

Over the last few years, the Chairman of the Board of Directors, in agreement with the Managing Director, launched a process aimed at the greater involvement of the Board of Directors so that it, in its capacity as a collective body, can fully perform its role in the management of the company and each of its members can acquire all the elements useful for providing their personal contribution to the achievement of the Company's objectives.

4.3.5) Role of the Board of Directors

The Statute establishes that the Board of Directors is vested with powers of ordinary and extraordinary business, with the faculty to carry out all the acts it deems necessary and appropriate for achieving the corporate purpose, with the exclusion of those which are reserved by the law and/or Statute for the shareholders' general meeting.

The Board of Directors, also on the basis of the following approved documents:

1. The procedure for the implementation of the strategic, industrial and financial plans;
2. The procedure regarding transactions of significant strategic, economic, equity and financial importance;
3. The guidelines regarding the Internal Audit and Risk Management System;
4. The co-ordination formalities between the parties and the bodies of the Internal Audit and Risk Management System;

in application of the provisions of art. 1 of Borsa Italiana SpA's Code of Conduct:

- examines and approves the strategic, industrial and financial plans of the issuer at consolidated level, periodically monitoring the implementation of the same;
- defines the nature and the level of risk compatible with the strategic objectives of the issuer, as illustrated in section 11 below;

- assesses the adequacy of the organisational, administrative and accounting set-up of the issuer as well as that of the strategically important subsidiaries, with particular reference to the Internal Audit and Risk Management System;
- establishes the frequency, usually quarterly, by means of which the Managing Director must report to the Board on the activities carried out during the period as per the authority granted;
- assesses the performance of management operations taking into consideration, in particular, the information received from the Managing Director, as well as periodically comparing the results achieved with those programmed;
- examines and approves in advance - without prejudice to the envisaged exceptions – the transactions of the Issuer and examines those of the subsidiary with significant strategic importance as defined in a specific procedure approved by the Board of Directors;
- at least once a year, makes an assessment of the size, composition and functioning of said Board and its committees, also taking into account elements such as the professional characteristics, experience, including managerial, and gender of its members, as well as their length of service possibly expressing opinions on the professional figures whose presence on the Board is believed to be appropriate;
 - may express to the Shareholders, before the appointment of the new Board, its opinions on the professional figures whose presence on the Board is believed to be appropriate, also taking into account the evaluation as per the previous point.

Furthermore, on a consistent basis with the objective of creating value for the stakeholders, when covering the office, the Board members must also consider the strategies defined for the Group which the Issuer belongs to, as well as the benefits deriving from belonging to said Group.

All the decisions concerning Corporate Governance are submitted for approval of the Board of Directors.

Upon the proposal of the Appointments and Remuneration Committee, and having consulted the Board of Statutory Auditors, the Board establishes the remuneration of the Chairman and the Managing Director, on the basis of the guidelines established in the remuneration policy, while the division of the fee due to the Board members is carried out directly by the shareholders' meeting.

During all the Board meetings, the Chairman and the Managing Director provide an extensive report on the operating performance and supply forecasts on the performance in the coming months.

4.3.6) Self assessment

At least once a year, at year-end, the Board makes an assessment of the size, composition and functioning of said Board and its committees by means of a specific questionnaire provided to all the Board members by the lead independent director, who processes the results reporting on the same subsequently to the Board. On the basis of the results of the self-assessment process carried out, which in the processing of the questions submitted to the Board members follows both quantitative/size-related and qualitative criteria, to-date, the Board deems its work and composition to be positive, thus the presence of other professional profiles is not believed to be necessary.

The shareholders' meeting has not authorised exceptions to the non-competition restrictions envisaged by Article 2390 of the Italian Civil Code, either on a general or precautionary basis.

4.4) Representative bodies

4.4.1) Managing Director

The Board Meeting held on April 23, 2012, granted the Managing Director, Monica Mondardini, the widest powers of representation and ordinary business, with the exception of the appointment of the editors in chief and general managers, which remains the responsibility of the Board of Directors. No expenditure limits have been envisaged, with the exception of:

1) for purchases of machinery over €10 million; 2) the taking out of loans, entering into of leasing or credit facility agreements also assisted by secured guarantees for amounts over €5 million; 3) the granting of guarantees, pledges, mortgages, liens and sureties for amounts over €5 million; 4) for the purchase, sale and exchange of equity investments and real estate property assets over €5 million.

The lead manager responsible for the management of the company is the Managing Director or Chief Executive Officer Monica Mondardini.

4.4.2) Chairman of the Board of Directors

The Board Meeting held on April 23, 2012 granted the Chairman of the Board of Directors, Carlo De Benedetti, the legal representation of the company and, with the same, the power to represent the company in dealings with third parties. The Board also assigned the Chairman the precise role of publisher to oversee the editorial business of Gruppo Editoriale L'Espresso SpA drawing up proposals with regard to the appointment, removal and/or transfer of publication editors in chief.

The Chairman of the company, Carlo De Benedetti, is the controlling shareholder.

The Company complies with the so-called interlocking directorate restriction, or rather the principle for which the chief officer of a company cannot undertake the office of director in another company not belonging to the same group, in which a director of the same company is chief officer. Therefore, this situation does not apply.

4.4.3) Information to the Board of Directors

During all the meetings and in any event at least quarterly, the Chairman and the Managing Director reported regularly to the Board on the activities carried out when exercising the powers granted them and also up-dated the Board members with regard to the most significant corporate events, the measures adopted and the transactions carried out, including those with related parties or in potential conflict of interest.

4.5) Other executive Board members

There are no other Executive Directors besides the Chairman and the Managing Director.

4.6) Independent Directors

The Code establishes that the Board of Directors must be made up of an adequate number of Independent Directors. At present, seven non-Executive Directors of the company have demonstrated that they can qualify as being independent.

On the basis of the applicative criteria as per section 3.C.1 of the Code, Independent Directors are those who:

- a) directly or indirectly, also via subsidiary, trust companies or third parties, do not control the issuer or are not able to exercise significant influence over the same, or do not participate in a shareholders' agreement by means of which one or more parties may exercise control or significant influence over the issuer;
- b) are not, or have not been in the previous three years, significant representatives of the issuer, one of its subsidiaries with strategic importance or a company subject to joint control with the issuer, or of a company or a body which, also together with others via a shareholders' agreement, controls the issuer or is able to exercise significant influence over the same;
- c) directly or indirectly (for example via subsidiary companies or those which it is a significant representative of, or in the capacity of party of a firm of professionals or a consulting firm), have not, or have not had during the previous year, significant commercial, financial or professional dealings:
- with the Issuer, one of its subsidiaries or with any of the related significant representatives;
 - with a party which, also together with others via a shareholders' agreement, controls the Issuer, or -if involving companies or bodies- with the related significant representatives; or have not, or have not been in the last three years, employees of one of the aforementioned parties;
- d) do not receive, or have not received in the last three years, from the Issuer or a subsidiary or parent company of the same, significant remuneration in addition to the fixed emolument as non-executive director of the Issuer and the fee for participation in the committees recommended by the Code, also under the form of participation in incentive plans linked to company performance, also share-based;
- e) have not been directors of the Issuer for more than nine years in the last twelve years;
- f) do not cover the position of executive director in another company in which an executive director of the Issuer is director;
- g) are not shareholders or directors of companies or a body belonging to the network of the company appointed to audit the accounts of the Issuer;
- h) are not close family members of an individual who is found in one of the situations indicated in the above points.

If any of the afore-mentioned hypotheses envisaged by the Code should occur, being conditions for the non-independent nature of the non-executive directors, the Board of Directors shall have to assess, with reference to the individual case, if the requisites necessary for the assignment of independent director exist or not.

On the basis of the provisions of Article 147 ter, paragraph 4 of the TUF, at least one of the members of the Board of Directors, or at least two, if the Board is made up of more than seven members, must possess the independence requisites established for the statutory auditors under Article 148, paragraph 3 of the TUF, that considers not independent:

a) the spouses, relatives and kin up to fourth degree of the Directors of the company, the directors, the spouse, the relatives and kin up to fourth removed of the directors of subsidiary companies of the former company, the companies which are its parents and those subject to joint control;

b) those who are linked to the company or its subsidiaries or its parents or those subject to joint control or the directors of the Company and the parties as per the previous point linked by freelance or employment relationships or by other professional or equitable relationships which compromise independence.

During the year, the Board satisfactorily checked, applying the agreed criteria, the existence of the requisites of independence of the directors Brugiavini, Di Giorgio, Greco, Oliveri, Onesti, Paravicini Crespi and Zaoui and informed the market thereof. The Board of Statutory Auditors has duly noted the criteria adopted without making observations.

The independent Board members met during the year at the time of the Audit and Risk Committee (please refer to the matters indicated in point 10 below).

4.7) Lead independent director

On April 23, 2013, Prof. Tiziano Onesti was appointed as lead independent director, to whom the non-Executive Directors refer (particularly the independent ones) so as to permit an improved contribution to the business activities and functioning of said Board. The lead independent director works together with the Chairman so as to ensure the Directors receive complete and prompt flows of information. The lead independent director is also assigned the faculty to call specific meetings of Independent Directors,

at his discretion or upon the request of the other Board members, for the discussion of the subjects deemed of interest with respect to the functioning of the Board or the corporate operations.

The lead independent director carried out his activities essentially taking part in the periodic meetings of the Audit and Risk Committee, which during the year organised meetings with the Board of Statutory Auditors, the Supervisory body pursuant to Italian Legislative Decree No. 231/2001 and the independent auditing firm. Knowledge of the Company, its organisational and audit system, as well as information on the trend in the results were acquired by means of numerous meetings or conference calls with the Company internal auditing division and with management.

5. HANDLING OF COMPANY INFORMATION

The Company has adopted an updated procedure for the handling and disclosure to the public of confidential documents and information, with particular reference to so-called privileged information: this procedure is available on the Company website **www.gruppoespresso.it**, in the “Governance” section.

The handling of privileged information has been delegated to the Chairman and/or Managing Director who avails themselves of the “external affairs head office division” for the disclosure of press releases and the “Investor Relations office” for communications with institutional investors.

Without prejudice to the confidentiality obligations envisaged by current legislation, all the directors are obliged to keep documents and information acquired to perform their duties, confidential and to observe the internal procedure.

By means of the adoption of the new internal dealing code of conduct, published on the institutional website **www.gruppoespresso.it**, in the “Governance” section, the interested parties have been identified in accordance with the matters established by the TUF and Consob, identifying them: 1) as the members of the management and audit bodies of the Issuer as well as the members of the management and audit bodies of the subsidiaries whose book value represents more than 50% of the Issuer’s balance sheet assets; 2) as the executives of both the Issuer and the subsidiaries who perform management functions and have the power to adopt management decision which may affect the evolution and future prospects; 3) as the Executive appointed to draw up the

company accounting documents as envisaged by Article 154 bis, paragraph 4 of the TUF of the issuer.

Transactions for the purchase, sale, subscription or exchange of shares or financial instruments linked to shares must be communicated by the end of the year, as per the terms and formalities which follow.

The Interested Parties must communicate the transactions carried out to Consob and the Company within five open market days of the date they were carried out. The Company publishes this information by the day after it receives the same. It is also envisaged that the Company may take the place of the Interested Parties in making the communications, provided this takes place in observance of the terms indicated above.

Anyone else who has an equity investment equal to at least 10% of the company's share capital, represented by shares with the right to vote, as well as any other party who controls the same, must in turn disclose the transactions carried out by the fifteenth day subsequent to that when the transaction was carried out and, also in this case, it is possible that the Company itself can take over, subject to specific agreement, for the forwarding of the communication.

The Company has also established and implemented the Register of individuals who have access to privileged information ("Register"), in which the individuals who, due to their work or professional activities, or in relation to the functions performed, have access to privileged information, are recorded.

The Register - kept so as to ensure ease of consultation and extraction of data - contains the identity of the party (individual or legal entity) who can access privileged information on a regular or occasional basis, the reason why the individual is recorded in the same and the date of each update of the information relating to the individual.

The Company has clearly specified the criteria adopted for keeping the Register and the methods for handling and searching for the information contained therein.

The Company has also appointed Mr. Massimo Segre as the individual in charge of keeping the Register and receiving, handling and disclosing the information to the market.

6. THE BOARD OF DIRECTORS' INTERNAL COMMITTEES (pursuant to art.123 bis, par. 2, sub d), TUF)

The Board Meeting held on April 23, 2012, appointed the Audit and Risk Committee, the Appointments and Remuneration Committee and the Committee for Related-Party Transactions.

The committees are made up of no less than three members, all independent, and are coordinated by a Chairman. Minutes are taken of the meetings of each committee.

The Company, as permitted by the Code, having considered the overlapping with regard to composition and the expertise required, as well as the commitment in relation to the accomplishment of the related functions, for reasons of rationalization of the organisation united the functions of the Appointments Committee and the Remuneration Committee in a single committee, within which there is adequate expertise with regard to financial or remuneration policy matters, named the Appointments and Remuneration Committee, approving the related regulations.

The Internal Audit Committee, already established by the Board of Directors, adopted the name Audit and Risk Committee, and within the same at least one member possesses adequate experience with regard to accounting and financial matters or risk management.

During the performance of their activities, the committees have the faculty to access the information and the corporate divisions necessary for the performance of their duties and can invite parties who are not members to take part in the meetings, their presence possibly being appropriate for the business of the meeting.

7. APPOINTMENTS COMMITTEE

The Company was not equipped with an independent Appointments Committee before the last renewal of the Board of Directors. As indicated in the previous point, the Board of Directors resolved to combine the Appointments Committee and the Remuneration Committee. Therefore, reference is made to Point 8 below for the information on its composition and functioning.

8. REMUNERATION COMMITTEE

8.1) Composition and functioning of the Appointments and Remuneration Committee (pursuant to Art. 123 bis, par. 2, sub d), TUF)

The Appointments and Remuneration Committee was nominated by the Board of directors on April 27, 2012 and is made up of the independent directors Mario Greco, Luca Paravicini Crespi and Michael Zaoui. During the first part of the year, the Remuneration Committee was made up of five members of which 3 independent (Greco, Paravicini Crespi and Brugiavini) and 2 not independent (Carlo De Benedetti – Chairman and Rodolfo De Benedetti).

At least one member of the Committee has knowledge and experience in accounting and financial matters and remuneration policies deemed adequate by the Board at the time of appointment.

The committee's work is co-ordinated by the Chairman Mario Greco. During the year, the committee met three times with an average duration of 40 minutes. The participation of the members is shown in Table 2, as attached. Three meetings have been scheduled for 2013, two of which already held on January 28 and February 27, 2013.

It is envisaged that the directors leave the meeting room when the proposal for the emoluments of the same is presented.

8.2) Functions of the Appointments and Remuneration Committee

With regard to the appointment of the Directors, the Appointments and Remuneration Committee carries out the following functions:

- proposes to the Board of Directors candidates for the office of Director if it is necessary to replace an Independent Director pursuant to Article 2386, first comma of the Italian Civil Code;
- formulates opinions to the Board of Directors with regard to the size and composition of the same, as well as, possibly, with regard to the professional figures whose presence within the Board is deemed appropriate;
- formulates opinions to the Board of Directors with regard to the maximum number of appointments as director or auditor which the company's Directors can undertake, also by way of departure to the general criteria, in companies listed on organised markets (also abroad), financial and insurance companies and companies of a significant size,

taking into account the participation of the Board members in committees established within the Board.

With reference to remuneration, the Appointments and Remuneration Committee carries out the following functions:

- formulates proposals or expresses opinions for the remuneration of the Managing Director and the Directors vested with specific offices, which may also include remuneration plans which envisage the assignment of stock options or the disbursement of other incentives parameterized on shares;
- formulates proposals to the Board with regard to the payment plans for employees based on shares (for this purpose drawing up the specific Regulations), identifying the beneficiaries and entity of the assignment options to each of the same upon the indication of the Managing Director;
- periodically assesses the adequacy, coherence and effective application of the policy for the remuneration of the directors and executives with strategic responsibilities formulating proposals to the Board in this respect;
- periodically assesses the adequacy of the incentive mechanisms for the Head of internal auditing and the Executive appointed to draw up the company accounting documents with respect to the tasks assigned to the same.

During the year, the Appointments and Remuneration Committee met in order to discuss the proposals to be submitted for the examination of the Board of Directors concerning: the establishment of the emolument to be paid to the Chairman and the fees for the Managing Director; the Remuneration Report envisaged by Article 84 quater of Consob Resolution No. 11971/99 implementing Article 123 ter of the TUF; the implementation of the stock grant plan for 2012.

The details of the afore-mentioned stock grant plan are illustrated in the financial statements in the section “Information required by Consob Regulation No. 11971”, available on the company’s institutional website in the “Investors” section.

The Chairman of the Board of statutory auditors or another auditor appointed by the same takes part in the work of the committee.

Minutes are duly taken of the meetings of the committee.

Performing its functions, the Committee had the possibility of accessing the information and corporate divisions necessary to performance its tasks.

The Committee does not have an allocated expenditure budget, but if should be necessary it can authorize costs for consulting, research and anything else useful or appropriate for its activities under the terms established by the Board.

The Committee carries out its functions as per the regulations approved by the Board of Directors.

9. REMUNERATION OF THE DIRECTORS

With regard to the information concerning this Section, please see the relevant parts of the Remuneration Report published as per Article 84 quater of Consob Resolution No. 11971/99 implementing Article 123 ter of the TUF.

10. AUDIT AND RISK COMMITTEE

10.1) Composition and functioning of the Audit and Risk Committee (pursuant to Art. 123 bis, paragraph 2, sub d), TUF)

The Audit and Risk Committee was adopted by the Board of Directors and is currently made up of the independent directors Agar Brugiavini, Giorgio Di Giorgio, Elisabetta Oliveri, Tiziano Onesti and Luca Paravicini Crespi. Three of its members possess significant experience with regard to accounting and financial matters, deemed appropriate by the Board at the time of appointment.

The Committee's work is co-ordinated by the Chairman Tiziano Onesti and minutes of the meetings are taken. During the year, the Committee met four times with an average duration of 2 hours. The participation of the members is shown in Table 2, as attached. Four meetings are scheduled for 2013, two of which were already held on January 31 and February 22, 2013.

In relation to the business on the agenda the Chairman of the Board of Statutory Auditors, or another auditor appointed by the same, and with reference to the business on the agenda, the Head of internal auditing and the Executive appointed to draw up the company accounting documents and the Head of the Company's legal service, are always invited to attend committee meetings.

Other executives of the Company and the subsidiaries are also periodically invited to the meetings, to report on specific matters to the Committee.

By means of periodic meetings with the heads of the various company divisions, the Board of Statutory Auditors, the Supervisory Body pursuant to Italian Legislative Decree No. 231/01 and the independent auditing firm, the Committee checked the efficacy and efficiency of the handling of the corporate operations, the reliability of the financial information and the observance of applicable legislation.

10.2) Functions assigned to the Audit and Risk Committee

In line with the Code's recommendations, the Committee:

- a) assesses, together with the Executive appointed to draw up the company accounting documents and having consulted the independent auditors and the Board of Statutory Auditors, the correct use of the accounting standards and their uniformity for the purpose of drafting the statutory and consolidated financial statements and presents the results of its assessments to the Board of Directors as envisaged by letter f) below;
- b) expresses opinions on specific aspects inherent to the identification of the main corporate risks, and in particular on the identification, gauging, managing and monitoring of the main corporate risks;
- c) examines the reports concerning the assessment of the Audit and Risk System drawn up by the internal audit department and reports to the Board of Directors on its assessments with regard to the matters envisaged by letter f) below;
- d) monitors the autonomy, adequacy, efficacy and efficiency of the internal audit department and proposes any corrective action to the Board of Directors;
- e) may request the internal audit department to carry out checks on specific operating areas, at the same time informing the Chairman of the Board of Statutory Auditors and the Board of Directors and the Directors in charge of the Audit and Risk System (the "Appointed director", see point 11.1);
- f) reports to the Board of Directors on the activities carried out and on the adequacy of the Audit and Risk System, at least once every six months on approval of the annual and half-yearly financial reports;
- g) examines the audit plan and proposes the adoption of the same to the Board of Directors.

As already reported, the Committee has been granted the faculty to access the information and the company divisions necessary for the performance of its tasks, minutes of all the meetings are duly taken and despite it not having been assigned an expenditure budget, if needed, it can authorise costs so as to acquire information, advice, collaboration, opinions or anything else.

11. INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

Guidelines on the internal audit and risk management system

The Internal Audit and Risk Management system has been updated on the basis of the matters envisaged by Borsa Italiana SpA's Code of Conduct (December 2011) by the Board of Directors, which adopted the following guidelines by means of which the general principles of the Company's internal audit and risk management system are laid down (the "Audit and Risk System").

A. Audit and Risk System

The Audit and Risk System is the series of rules, procedures and organisational structures aimed at permitting the sound and correct running of the company on a consistent basis with the pre-established objectives and encouraging the adoption of informed decisions, by means of an adequate identification, gauging, managing and monitoring process of the main risks. The Audit and Risk System contributes towards guaranteeing the protection of the company assets, the efficiency and efficacy of the corporate processes, the reliability of the financial information, the observance of the laws and regulations as well as the Statutory provisions and internal procedures adopted by the Company.

The Audit and Risk System contributes towards defining the tasks of each responsible body and the collaboration and exchange of information mechanisms between the various parties involved in the financial disclosure and risk management process.

The Audit and Risk System includes not only the principles expressed in these guidelines but also: i) the specific Statutory provisions and internal regulatory provisions concerning the division of the responsibilities and authorizations; ii) the system of authorizations, procedures and areas at risk mapped as per the Organisation model pursuant to Italian Legislative Decree No. 231/2001;

iii) the objectives and methods for assessing the risks and the provisions concerning the administrative, accounting and financial system.

B. Tasks of the bodies and functions of the Audit and Risk System

The bodies and functions responsible for the Audit and Risk System are as follows:

- a) the Board of Directors;
- b) the Appointed Director;
- c) the Audit and Risk Committee;
- d) the Head of the Internal Audit department;
- e) the Risk Manager;
- f) the Board of Statutory Auditors;
- g) the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001;
- h) the other bodies and company functions responsible for internal audits and risk management.

Furthermore, it is understood that all the employees are required to take action to ensure the efficient functioning of the Audit and Risk System, each within the sphere of their duties and for the roles covered in the company organisation. In fact, on the basis of the tasks assigned, the company's human resources have the necessary training for fulfilling their responsibilities with the necessary knowledge and comprehension of the activities, the organisation and functioning methods of the reference market and the specific sector in which they operate, without neglecting the related risks and the operating objectives of the Company.

The bodies and functions indicated above each operate in accordance with their duties and responsibilities and as per the indications envisaged in the Guidelines adopted by the Company and in the legislative, regulatory and internal provisions applicable.

The Board of Directors

The Board of Directors has the final responsibility for the Audit and Risk System and defines the guidelines, on a consistent basis with the strategic aims and the risk profile of the Company.

Within the sphere of the Audit and Risk System, the Board of Directors:

- a) defines the guidelines of the Audit and Risk System, seeing to the appropriate amendments and updates;
- b) identifies the nature and the level of risk compatible with the strategic objectives of the Company, re-assessing them each time the circumstances render this necessary;
- c) annually evaluates the adequacy, efficacy and efficiency of the Audit and Risk System with respect to the business activities and the risk profile adopted, also taking into account the assessments of the Appointed Director and the Audit and Risk Committee;
- d) approves, upon the proposal of the Audit and Risk Committee, annually, at the same time as approval of the annual financial statements, the audit plan, having consulted the Board of Statutory Auditors and the Appointed Director;
- e) having consulted the Board of Statutory Auditors, assesses the results disclosed by the independent auditor in the opinion letter and in the report in the fundamental aspects emerging during the audit;
- f) appoints the Appointed Director;
- g) appoints an Audit and Risk Committee internally and nominates the Chairman;
- h) approves the regulations of the Audit and Risk Committee and any amendments and updates;
- i) appoints and removes the Head of the internal audit department, upon the proposal of the Appointments and Remuneration Committee, subject to the favourable opinion of the Audit and Risk Committee and having consulted the Board of Statutory Auditors, periodically checking the consistency of the incentive mechanisms with the tasks assigned to the same;
- j) ensures that the Head of the internal audit department is equipped with adequate resources for the fulfilment of the related responsibilities.

The Appointed Director

The Appointed Director is responsible for ensuring the functionality and adequacy of the internal audit system. In the existing company system and on the basis of the structure of the powers within the Company, the Appointed Director coincides with the Managing Director.

The Appointed Director:

- a) sees to the identification of the main company risks and submits them periodically for the examination of the Board of Directors;
- b) sees to the planning, realization and management of the Audit and Risk System, envisaging co-ordination formalities between the bodies and divisions concerned aimed at maximising the efficiency thereof and reducing duplications;
- c) according to the Report of the Head of internal auditing and the indications of the Audit and Risk Committee, constantly verifies the adequacy, efficacy and efficiency of the Audit and Risk System, proposing the appropriate amendments and updates to the Board of Directors;
- d) may ask the Head of the internal audit department to carry out checks on specific operating areas and on the observance of the internal rules and procedures in the execution of company operations, at the same time informing the Chairman of the Board of Directors, Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors;
- e) promptly reports to the Board of Directors problems and critical situations emerging during the performance of his activities or which in any event he becomes aware of, so that the Board of Directors can adopt the appropriate initiatives;
- f) for the purpose pertaining to the Appointed Director's functions, the latter may take request the support of the Audit and Risk Committee.

The Audit and Risk Committee

The Audit and Risk Committee carries out advisory, proposal-related and monitoring functions on the Audit and Risk System.

The Audit and Risk Management Committee:

- a) assesses, together with the Executive appointed to draw up the company's accounting documents and having consulted the independent auditors and the Board of Statutory Auditors, the correct application of the accounting standards and their uniformity for the purpose of drafting the statutory and consolidated financial statements and presents the results of its assessments to the Board of Directors as envisaged by letter f) below;
- b) expresses opinions on specific aspects inherent to the identification of the main corporate risks, and in particular on the identification, gauging, managing and monitoring of the main corporate risks;

- c) examines the reports concerning the assessment of the Audit and Risk System drawn up by the internal audit department and reports to the Board of Directors on its assessments concerning the matters envisaged by letter f) below;
- d) monitors the autonomy, adequacy, efficacy and efficiency of the internal audit department and proposes any corrective action to the Board of Directors;
- e) may request the internal audit department to carry out checks on specific operating areas, at the same time informing the Chairman of the Board of Statutory Auditors and the Board of Directors and the Appointed Director;
- f) reports to the Board of Directors on the activities carried out and on the adequacy of the Audit and Risk System, at least once every six months on approval of the annual and half-yearly financial reports.
- g) examines the audit plan and proposes the adoption of the same to the Board of Directors.

The Audit and Risk Committee is made up of at least 3 independent directors, at least one of whom has suitable experience in accounting and financial or risk management matters, and operates in compliance with the provisions of the internal regulations approved by the Board of Directors, which describes the appointment formalities, tasks, functioning methods, powers and the budget.

The Chairman of the Board of Statutory Auditors or another auditor appointed by him attends the Audit and Risk Committee works (and however the other auditors can also attend).

The Head of the internal audit department

Within the sphere of the Audit and Risk System, the Head of the internal audit department:

- a) draws up the audit plan submitting it to the Audit and Risk Committee, so that it proposes the adoption of the same to the Board of Directors;
- b) verifies, both on an on-going basis and in relation to specific needs, the operations and suitability of the Audit and Risk System through the audit plan approved by the Board of Directors;
- c) drafts biannual reports related to his own activities, to the formalities for the risk management, to the observance of the plans for the containment of said risks and the

suitability of the Audit and Risk System; and forwards a copy of it to the Audit and Risk Committee and the Board of Statutory Auditors before the meeting of the Audit and Risk Committee which precedes the Board meeting for the annual and interim reports;

d) promptly produces reports on particular important events, forwarding a copy of these to the Chairmen of the Board of Directors, to the Audit and Risk Committee and the Board of Statutory Auditors and to the Appointed Director;

e) within the sphere of the audit plan, verifies the reliability of the disclosure systems, including the accounting records systems.

The Head of the internal audit department depends hierarchically on the Board of Directors and has direct access to all the information useful for the performance of his appointment.

Periodical flows are envisaged.

The Risk manager

Description of the activities and functions of the Risk manager are indicated in point D below.

The Board of Statutory Auditors

The Board of Statutory Auditors oversees the effectiveness of the Audit and Risk System. In carrying out its functions, the Board of Statutory Auditors may request the Head of the internal audit department to carry out checks on specific operating areas or company operations, informing the Chairman of the Board of Directors; the Board of Statutory Auditors and the Audit and Risk Committee promptly exchange information significant for the accomplishment of their duties.

The Supervisory Body

The Supervisory Body established in accordance with Italian Legislative Decree No. 231/2001 carries out the tasks envisaged for the same by the Company's Organisation Model and works together with and exchanges information regularly with the Audit and Risk Committee, the Board of Statutory Auditors and the Appointed Director.

The other competent bodies and functions

The other bodies and company functions responsible for internal audits and risk management include the Executive appointed to draw up the accounting documents and all the procedures and bodies which make up the corporate structure.

C. Risk management

The Risk Management System is articulated into the following three levels of control:

- a) the functions within the Company detect the risks and establish the action to be adopted for managing the same;
- b) Risk Management functions carry out constant analysis and monitoring activities;
- c) the internal audit department checks the functioning of the System and provides its independent opinions.

Definition of the nature and the level of risks compatible with the corporate strategic objectives of GELE

At least once a year, at the time of drawing up the budget, the Company carries out a global assessment of the risks with the related evaluation of their possible impact on the achievement of the results.

The analysis is carried out with the methodological support of the “Risk analysis and assessment” document drawn up by the Company.

The output of these activities is a document which fully represents the level of risk for each business area and defines the mitigating action for the envisaged risks.

The general content of the information processed is provided by a subsequent summary document that must be discussed by the risk manager and the company management with the Audit and Risk Committee. The Audit and Risk Committee may request explanations and/or additions to the document to report accurately to the Board of Directors. The Board of Directors must be able to easily assess whether the levels of risk compatible with the company’s strategic objectives is acceptable, as indicated in the document drawn up by management and discussed with the Audit and Risk Committee. The Board of Directors must express its opinion regard to the mitigation action proposed and on the entity of remaining risk.

The examination, discussion and definition within the Board of Directors, of the nature and level of risk compatible with the company’s objectives is implemented by a critical

analysis of the assessment of probability/impact made by Audit and Risk Committee and takes into account the parameters linked to the operating result, the shareholders' equity and the net financial position of the Company.

Operating steps

The activities indicated above are subjected to a complete review and constant monitoring during the year by risk manager in close collaboration with the heads of the process and with the head of the internal audit department.

Effectively, the risk manager activities in co-operation with the heads of the process involve the following operations:

- a) mapping of the company processes and the related updating if necessary;
- b) detection of both internal and external risks annually, referring to the individual processes;
- c) risks measuring in terms of probability / impact and assessment of the effect on business plan and budget;
- d) risk mitigation factors analysis;
- e) presentation of activities results to the Audit and Risk Committee for examination and preliminary discussion, in order to disclose them to the Board of Directors.

The afore-mentioned activities are carried out following the method-related guidelines contained in the "Risk analysis and assessment" document which aspire to the "ERM – enterprise risk management" framework drafted by the "Committee of Sponsoring Organisations of the Treadway Commission" (COSO report).

On-going monitoring

The risk manager constantly supervises the possible effects of strategic, operating, compliance and reporting risks. He defines a series of information flows originated by the operational divisions in order to continually monitor the level of risk. He reports quarterly to the Audit and Risk Committee and co-ordinates with the representatives of the business areas to draw up a risk assessment and monitoring document. Referred to the subsidiaries, the analysis and assessment of the related risks is handled directly by the Company's risk manager.

Timescales for the annual analysis and assessment of the risks

By the 31st of October of each year, the risk manager meets the Audit and Risk Committee to illustrate the annual risk analysis and assessment activities of the company; the Audit and Risk Committee analyses the document and carries out the appropriate investigations during the subsequent months of November and December then to submit the final document to the Board of Directors at the time of budget approval in January.

11.1) Appointed Director of the Internal Audit and Risk Management System

Acknowledging the extreme importance of the Internal Audit System functioning, the Board of Directors identified the Managing Director Monica Mondardini as the Appointed Director to the establishment and maintenance of an efficient Internal Audit and Risk Management System. The Appointed Director:

- has identified the main corporate risks taking into account the activities and the characteristics of them carried out by the Company;
- has executed the guidelines defined by the Board, seeing to the planning, creation and management of the Internal Audit and Risk Management System, checking the adequacy and efficacy of the same;
- has seen about the adaptation of this system to the dynamics of the operating conditions and the legislative and regulatory panorama;
- has promptly reported to the Board of Directors problems and criticalities emerged during the performance of her activities.

The Appointed Director has the power to request the internal audit department to carry out checks on specific operating areas and on the observance of the internal rules and procedures in the execution of company operations and at the same time informing the Chairman of the Board of Directors, Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors.

11.2) Head of the internal audit department

The Head of the internal auditing (hereinafter “the Head”) has been identified as Michela Marani, to verify the suitability of the Internal Audit and Risk Management System. The appointment took place upon the proposal of the Appointed Director in

charge of the Internal Audit System, subject to the favourable opinion of the Audit and Risk Committee and having consulted the Board of Statutory Auditors.

The Appointments and Remuneration Committee checked the coherence of the incentive mechanisms of the Head with the duties assigned to the same.

The Head is not responsible for any operating area, and depends hierarchically on the Board of Directors and has had direct access to all the information useful for the performance of her office and has periodically reported to the Audit and Risk Committee, the Board of Statutory Auditors and the Appointed Director.

The above Head does not have an allocated budget, but has the faculty to incur expenses if the circumstances should require as such. During the year, this Head has:

- drawn up the audit plan submitting it to the Audit and Risk Committee, so that it proposes to the Board of Directors the adoption of it.
- checked, both on an on-going basis and in relation to specific needs, the operations and suitability of the Audit and Risk System via the audit plan approved by the Board of Directors;
- drafted the interim reports on the related activities, the formalities by means of which the management of the risks is carried out, the observance of the plans defined for the containment of said risks and the suitability of the Audit and Risk System and forwarded a copy to the Audit and Risk Committee and the Board of Statutory Auditors before the meeting of the Audit and Risk Committee which precedes the Board meeting for the annual and interim reports;
- within the sphere of the audit plan, checked the reliability of the disclosure systems, including the accounting records systems.

11.3) Organisation Model pursuant to Italian Legislative Decree No. 231/2001

The Company and its subsidiaries have adopted the “Organisation, Management and Control Model” (also the “Model”) pursuant to Italian Legislative Decree No. 231/01 for the purpose of preventing offences linked to dealings with public administration authorities such as corruption, extortion, bribery and fraud, and also so-called corporate offences, or rather, among others, false corporate communications and fraudulent accounting, offences associated with health and safety in the workplace, so-called cybercrime as well as the types of offence regarding organised crime, crimes against

industry and commerce, violation of copyrights and coercion not to make declarations or make misleading declarations to the legal authorities, as well as all the offences from time to time included in the provisions of Italian Legislative Decree No. 231/01.

This Document is made up of a “General Section” and a “Special Section”.

Following reference to the provisions of Italian Legislative Decree No. 231/01 and the guidelines issued by Confindustria, the general section contains an illustration of the essential contents of the Model and the staff training methods and formalities for divulging the same throughout the company.

The special section includes: (i) the mapping of the sensitive areas; (ii) the Code of Ethics; (iii) the lines of conduct; (iv) the general principles of the internal audit system; (v) the audit protocols drawn up for all the corporate processes at risk. In detail, the protocols indicate the offences which may be committed in relation to the individual processes, the conduct-related indications and the specific control activities for reasonably preventing the related risks of offence.

The task of applying and making sure the Model is adequate is entrusted to the Supervisory Body which, endowed with independent powers of initiative and control, has the task of overseeing the functioning and observance of the same, periodically checking the efficacy thereof and proposing its updating to the competent bodies.

The Company’s Supervisory Body is made up of the Head of internal auditing of the CIR Group, Mr. Giuseppe Gianoglio, the Chairman of the Board of Statutory Auditors Mr. Giovanni Barbara and Mr. Andrea Russo, an expert lawyer in this area.

The Body periodically reports to the Board of Directors on its activities. No reprehensible action has emerged as a result of work carried out.

11.4) Independent Auditors

The shareholders’ meeting held on April 18, 2007 resolved to appoint the company Deloitte Touche SpA to audit the annual statutory and consolidated financial statements for the period 2007-2015, as well as carry out the limited audit on the half-yearly report as per Italian Legislative Decree No. 58 dated February 24, 1998.

11.5) Executive appointed to draw up the company accounting documents

The company's Board of Directors appointed Mr. Gabriele Acquistapace, the Company's Administration and Reporting Division Manager, as the Executive appointed to draw up the company accounting documents of Gruppo Editoriale L'Espresso SpA.

With regard to the professional requisites of the appointed executive, the Articles of Association envisage suitable accounting and finance experience and that the same is appointed by the Board of Directors upon the proposal of the Managing Director and subject to having consulted the Board of Statutory Auditors.

Gabriele Acquistapace has been granted suitable powers and means for performing his appointment. In particular, he may:

- a) access any information deemed relevant for the purposes of acquitting his duties;
- b) dialogue with the management and audit bodies and coordinate the activities to be carried out with the same;
- c) assess and monitor the adequacy of the procedures adopted within the company which have an impact on the annual statutory financial statements, consolidated financial statements, the half-yearly report and the documents which must be certified;
- d) take part in the outlining of the information systems which have an impact on the economic, equity and financial situations;
- e) organise an adequate structure using resources available internally, such as those relating to information systems, management control and the internal audit department, or if necessary, under outsourcing;
- f) co-ordinate with the management and audit bodies or with the management of the subsidiaries, identifying specific procedures for the purpose of the correct performance of all the tasks and activities envisaged by law.

11.6) Co-ordination between the parties involved in the internal audit and risk management system

The Company has disciplined the co-ordination between the parties involved in the internal audit and risk management system, approving for such purposes a specific document which defines the co-ordination system by means of:

1. the procedures for the initial approval of the work plan of the internal audit department, as well as for subsequent amendment, monitoring and reporting;

2. the information flows produced by the Head of the internal audit department;
3. the information flows produced by the Audit and Risk Committee;
4. the procedure for the self-assessment of the Board of Directors;
5. the board appraisal of the results presented by the independent auditors;
6. the information exchanges between the Board of Statutory Auditors and the Audit and Risk Committee.

11.7) Description of the main features of the risk management and existing internal audit system related to the financial disclosure process.

The Risk Management System is integrated within the internal audit system in relation to financial disclosure, which represents an integral part of the overall system aimed at guaranteeing the reliability, accuracy and promptness of the financial disclosure.

A. Stages of the existing risk management and internal audit system related to the financial information process.

Defining its internal audit system, in observance of current legislation and in line with the best reference practices, the Company follows the process summarized below:

- i) identification and assessment of risks applicable to financial disclosure;
- ii) identification of checks in relation to risks identified at process level;
- iii) assessment of checks and handling of the monitoring process, in terms of both completeness and efficacy and efficiency, so as to reduce the risks to a level considered as “acceptable” (information flows, gap management, remedial plans, reporting system, etc.).

This process is handled by the executive appointed to draw up the company accounting documents, who in line with internal procedures oversees all the administrative-accounting procedures, mapping and standardizing those in force and defining measures at process level, information systems or procedures for sorting out any audit shortfalls.

A description of the individual process phases is presented below.

a) Identification and assessment of risks applicable to financial disclosure

Risk assessment activities are carried out annually and have the purpose of identifying the following, on the basis of quantitative analysis and according to qualitative assessment and parameters:

1. the companies within the Group's scope of consolidation to be included in the analysis;
2. the risks at group/operating company level relating to the general company context of the internal audit system;
3. the identification of the general risks of the company information systems supporting the significant processes;
4. the processes which populate the consolidated financial statement accounts deemed relevant for the related inherent risk, for each operating company identified;
5. the identification, for each significant process, of the specific risks relating to financial disclosure.

The risk assessment process carried out at Group consolidated financial statement level to determine the relevant scope of the analysis, is based on the combined application of two analysis parameters, one strictly quantitative (determination of numeric threshold values with which to compare the figures relating to the consolidated financial statements and the financial statements of the companies included therein) and one qualitative (assessment by management, on the basis of its knowledge of the company situation, of non-numeric aspects of potential risk such as to deem the inclusion of a specific company/account/process in the scope of the analysis as necessary or unnecessary).

b) Identification of the controls

Once the main risks have been identified and they have been associated with significant processes, the existing checks are revealed. This mapping represents the instrument by means of which:

- the main risks associated with the significant processes and the checks which are envisaged for the handling of these risks are presented;

- the existing checks are analysed so as to ascertain their ability to handle and mitigate the identified risk and, in particular, the correct recording of the related financial statement items.

The identification of the risks and the related checks is carried out in observance of audit objectives within the sphere of the financial information, including therein the financial statement entries.

The mapping generated also represents the basic element for the testing activities aimed at assessing and monitoring both the scheme and efficacy of the existing checks.

c) Assessment of the checks and monitoring process

In compliance with current legal provisions and on a consistent basis with the aforementioned best practices, in order to evaluate the operational efficacy of the checks, a plan is drawn up each year of the monitoring activities (and also those for streamlining and optimisation, if necessary), in which the strategies and timescales for the execution of the monitoring tests are defined.

The activities for the monitoring of the processes and checks forming part of the model envisage not only the test and reporting activities for the results of these activities but also that any gaps revealed be adequately handled and corrected.

B. Charges and functions.

Gruppo Editoriale L'Espresso SpA's organisational structure envisages the following division of the activities relating to the implementation, maintenance and development of the audit model for the purposes of financial disclosure:

Operational staff

They carry out the checks necessary for overseeing the activities they are responsible for and in particular carry out the relevant checks aimed at ensuring a correct representative of the financial disclosure.

Appointed Executive

The Appointed Executive, together with the Managing Director, has the main task of implementing the administrative-accounting procedures which discipline the process for

forming the periodic corporate financial information, monitoring the application of the administrative- accounting procedures indicated and issuing his statement to the market with regard to the fulfilment of the above aspects and the reliability of said financial documentation.

For the above purposes, the appointed executive periodically up-dates the scope of intervention, defines the annual plan of work activities and informs all the parties concerned of the work plan, the related timescales and the expected results. For further information on the appointed executive, see point 11.5).

Internal Audit Department

This department assists the Appointed Executive with the execution of the envisaged activities with specific reference to the check testing activities and informs the Appointed Executive of the results of the work carried out by means of specific reports. The operational roles carried out by the divisions/positions listed above fall within the more extensive sphere of Corporate Governance, structured in accordance with the traditional model which see the presence of corporate bodies with different control functions, such as the Board of Directors, which is responsible for the internal audit system, the Audit and Risk Committee, the Appointed Director, the Head of the internal audit department, the Board of Statutory Auditors and the Supervisory Body pursuant to Italian Legislative Decree No. 231/01.

Availing itself of the activities of the Audit and Risk Committee, during the year the Board positively assessed the adequacy, efficacy and effective functioning of the internal audit system, by means of a series of meetings with company management and exchanges of information, visits to operating units, examination of procedures ensuing from the corporate division and examination of the reports drawn up by the same, meetings with the Board of Statutory Auditors and the auditing company, as well as with the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001, whose activities also concern (albeit with different ends) the checking of the functioning of the internal audit system.

12. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

The Company adopted the procedure for related-party transactions envisaged by the Consob Regulation, issued by means of Resolution No.17221 dated March 12, 2010 as subsequently amended and supplemented. This procedure is available on the institutional website, www.gruppoespresso.it, in the “Governance” section.

The aim of the procedure is to establish the lines of conduct which the company is obliged to adopt so as to ensure a correct handling of related-party transactions and accordingly:

1. establishes the criteria and formalities for identifying the company’s related parties;
2. defines the standards for the identification of related-party transactions;
3. disciplines the procedures for carrying out related-party transactions;
4. establishes the formalities for fulfilling the related disclosure obligations.

The Board of Directors also appointed the Committee for related-party transactions made up of the independent directors Agar Brugiavini (Chairman), Giorgio di Giorgio and Tiziano Onesti.

The procedure for related-party transactions was also implemented by means of the adoption of appropriate information system and the creation of the related-party database with the Parent Company CIR SpA.

13. APPOINTMENT OF THE STATUTORY AUDITORS

The statutory auditors are appointed on the basis of lists presented by the shareholders in which the candidates are listed by means of consecutive number. Shareholders are entitled to present lists if, alone or together with other shareholders, they hold shares with the right to vote equal to at least 2.5% of the share capital with the right to vote.

The list of candidates must be deposited within the deadlines and under the formalities envisaged by applicable legislation. The declarations by means of which the individual candidates accept their candidature and declare, at their own liability, the inexistence of causes of ineligibility or incompatibility as well as the existence of the requisites prescribed for the respective office by legislation and the Statute, must be filed together with each list, within the deadlines provided for in the Statute. Lists for which the above requirements have not been observed will not be considered as presented.

In the event that just one list is presented, all the auditors are taken from the same.

One statutory auditor is taken from the list which has received the second greatest number of votes and the same will be appointed Chairman of the Board; the same must not be connected in any way, directly or indirectly, with the shareholders who have presented or voted for the list in first place in terms of number of votes.

In the event of the replacement of an auditor, the alternate auditor belonging to the same list takes over.

The minimum investment holding required for the presentation of lists has been confirmed as 2.5% in pursuance of Consob Resolution No. 18083 dated January 25, 2012.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The Statute establishes that the Board of Statutory Auditors is made up of three statutory auditors and three alternate auditors who remain in office for three years and can be reappointed.

The Company's Board of Statutory Auditors was appointed on April 23, 2012 and will remain in office until approval of the 2014 financial statements. Reference should be made to the matters indicated in the attached Table 3, for the composition of the Board of Statutory Auditors and other information relating to the same. The professional and personal characteristics of each auditor can be consulted on the Company website www.gruppoespresso.it, in the Governance section.

During 2012, the Board of Statutory Auditors met six times. The average duration of the meetings was around two hours. Five meetings are planned for 2013.

Existence of the requisites of independence and good standing of the auditors was positively ascertained using the standards envisaged by the Code.

Applying all the standards envisaged by the Code with reference to the independence of the directors, the Board of Statutory Auditors also ascertained the independence of its members both on the first useful occasion after appointment and during the year ended December 31, 2012.

The Auditors who have an interest in a specific company transaction must promptly inform the other Auditors and the Chairman of the Board of Directors with regard to the nature, terms and extent of their interest.

The Board of Statutory Auditors also oversaw the independence of the independent auditing company checking the observance of the related legislative provisions.

The Board of Statutory Auditors performed its work so as to support the traditional supervisory functions with a proposal-making and stimulating role with reference to the internal audit aspects and those it is responsible for, assigned by law and regulations. With a view to this, the Board of Statutory Auditors placed the exchange of information with the Group's management bodies, senior management of the operating structure and other control bodies at the centre of its activities. In particular, the Board of Statutory Auditors co-ordinated its work, by means of taking part in meetings and requesting clarification and/or information, with the internal audit department, the Audit and Risk Committee, the Supervisory Body and the Independent Auditors.

15. DEALING WITH SHAREHOLDERS

The Company has set up an extensive section on its institutional website www.gruppoespresso.it, easily accessible, which contains important information for the shareholders.

The head of the Investor Relations office is Mr. Stefano Canu who handles the flow of information addressing the shareholders, the financial analysts and institutional investors, in observance of the rules established for the disclosure of Company information and documents.

The Company has always taken active steps to establish and maintain effective dialogue with its shareholders and the market, using various forms of communication such as for example: presentation of the Company and Group results during the shareholders' meetings by means of slide projections, meetings with financial analysts and institutional investors in Italy and abroad, divulgation to the general public of press releases and presentations by means of making them available on the company website.

16. GENERAL SHAREHOLDERS' MEETINGS

Shareholders' meetings are called by means of publication of the notice on the Company website and in the *la Repubblica* newspaper in accordance with the deadlines and formalities envisaged by current legislation. The date for second calling can be established in the same notice.

The right to attend general shareholders' meetings and proxies are disciplined by applicable legislation.

Proxy can be communicated to the company by means of certified e-mail message by the commencement of the meeting's work, sent to the address indicated in the notice of calling.

The provisions of the law are valid for quorum requirements and the validity of the resolutions adopted by the meeting, both in ordinary and extraordinary session, first or subsequent callings.

The Company is endowed with Regulations which, despite not representing an integral part of the Articles of Association, discipline the orderly and functional course of ordinary and extraordinary shareholders' meetings of the Company. These Regulations, which can be consulted on the Company website **www.gruppoespresso.it**, in the Governance section, guarantee each shareholders the right to take the floor on the agenda being discussed.

The Board, which intervened in its entirety less one member in the meeting, reported to the shareholders' meeting on the activities carried out and took action to ensure the shareholders adequate disclosure on the necessary elements so they could make an informed decision on the matters for the assembly.

The changes in the capitalization of the company's shares during the year generally took place in line with market and reference sector changes.

17. CHANGES SINCE THE END OF THE REFERENCE PERIOD

There have been no changes to date in the Corporate Governance structure since the end of 2012.