



**Report on Corporate Governance  
and the Shareholder Structure in 2012**  
pursuant to art. 123 bis of Legislative Decree n. 58/1998

**20 March 2013**

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**Arnoldo Mondadori Editore SpA**  
Via Bianca di Savoia 12  
Share capital €64,079,168.40 (fully paid up)  
Registered as a company in Milan 07012130584  
www.mondadori.com

## **Report on Corporate Governance and the Shareholder Structure in 2012**

**pursuant to art. 123 bis of Legislative Decree n. 58/1998**

### *INTRODUCTION*

This report, pursuant to art. 123 *bis*, paras. 1 and 2, of Legislative Decree n. 58/1998 and art. 89 *bis* of Consob regulation 11971/1999 and subsequent modifications (herein also “Issuers Regulations”) contains information for 2012 regarding:

- the system of corporate governance applied by Arnoldo Mondadori Editore SpA (herein also “the Company” and its compliance with the Code of Conduct for listed companies laid out by Borsa Italiana SpA (herein “the Code”);
- the main characteristics of the existing system for the management of risk and internal control with regard to financial communications;
- the Company’s shareholder structure, in line with the details foreseen by the aforementioned art. 123 *bis* of Legislative Decree n. 58/1998.

The report therefore consists of four sections; a description of the system of corporate governance adopted by the company and its compliance with the Code, information regarding the system of risk management and internal control relating to financial communications, information about the Company’s shareholder structure and summary tables.

## SECTION I DESCRIPTION OF THE SYSTEM OF CORPORATE GOVERNANCE AND INFORMATION REGARDING COMPLIANCE WITH THE CODE OF CONDUCT

### *PREMISE*

Arnoldo Mondadori Editore SpA recognises in principle the model outlined in the Code of Conduct for listed companies for the definition of organisational structures and the operational practice of Corporate Governance.

A number of corporate organisational structures were already essentially in line with the Code before its publication, or have been adjusted in compliance with the indications of the Code itself, while other features have been introduced gradually and consistently with the specific characteristics of Mondadori's existing structures.

The following is a description of the system of corporate governance adopted by the Company and indications about measures undertaken or planned to comply with each of the prescriptions of the Code. It should be stated at the outset that the Company has adopted a traditional model of administration and control.

This report is compiled with reference to the version of the Code of Conduct published in December 2011, which is accessible to the public on the web site of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

## COMPOSITION AND ROLE OF THE BOARD OF DIRECTORS

The board of directors was appointed by the Shareholders at the Annual General Meeting of 19 April 2012 - to remain in office until the AGM for the approval of the Company's Annual Report for the year 2014.

At the end of the year under examination in this report the board of directors was made up of fourteen members, as follows:

4 executive directors:

**Marina Berlusconi**, Chairman.

The chairman is qualified as an executive director in that, while not having any specific managerial responsibilities, is engaged, along with the chief executive, in the elaboration of the Company's strategies to be presented to the entire board for approval:

**Maurizio Costa**, Deputy chairman and chief executive.

**Carlo Maria Vismara**, Chief financial officer.

**Roberto Briglia**, Group editorial director.

10 non-executive directors, none of who has specific managerial roles or responsibilities either inside the Company (or in companies of the Group of strategic significance) or the parent company:

Piersilvio Berlusconi  
Pasquale Cannatelli  
Bruno Ermolli  
Martina Mondadori  
Roberto Poli  
Angelo Renoldi  
Mario Resca  
Cristina Rossello  
Carlo Sangalli  
Marco Spadacini

Information regarding the personal and professional profiles of each member of the board is available on the Company's web site [www.mondadori.it](http://www.mondadori.it) - Governance section.

## APPOINTMENT PROCEDURE

What follows are the regulations, as set out in Art: 17 of the Articles of Association, regarding the procedures for the appointment, by means of a voting list, of directors:

- regarding the stake required for the submission of lists, the Articles of Association, as specified below, refers to the percentage that, according to the Issuers' Regulations, is established annually by Consob on the basis of the average market capitalisation of companies in the final quarter of each year. As an indication it should be noted that at present, in line with Consob Resolution No. 18452 of 31 January 2013, the stake required for the submission of lists that applies to Arnoldo Mondadori Editore is set at 2.5% of the share capital.
- The same stake of 2.5% was applicable for the appointment of the board of directors approved by the shareholders on 19 April 2012;
- It should be noted that the Company is not subject to further rules concerning the composition of the board than those provided by Legislative Decree No. 58/1998 and referred to in art. 17 of the Articles of Association listed below.

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

- 1. The company is governed by a Board of Directors composed of from seven to fifteen members, who must be in possession of the requisites laid down in the primary and secondary legislation in force from time to time. They may be re-elected.*
- 2. Before proceeding to appoint the Board, the Shareholders' Meeting decides the number of its members and their term of office in compliance with the statutory time limits.*
- 3. The Board of Directors is elected by the Shareholders' Meeting from lists containing the names of not more than fifteen candidates, each matched to a serial number. Candidates may not appear in more than one list, on pain of not being electable.*  
*Entitled to submit lists are those shareholders with voting rights that, alone or with other shareholders, represent at least the percentage of share capital, subscribed at the time the lists are submitted, laid down and published by Consob under the Regulations adopted by virtue of Resolution 11971 of 14 May 1999, as subsequently amended and supplemented (hereafter also referred to as the "Issuer Regulations").*  
*Ownership of the percentage of share capital is determined by referring to the shares that are recorded in the name of shareholders on the day that the list is filed with the Company, with reference to the share capital subscribed on that same date.*

The pertinent attestation or certification may be communicated or produced even after the list is filed provided that it reaches the Company by the deadline provided for publication of the list by the Company.

The percentage shareholding required in order to present lists of candidates for election as members of the Board of Directors is specified in the notice of the Shareholders' Meeting that is called to deliberate the appointment of the Board.

Shareholders may neither present nor vote for more than one list, even through a third party or a trust company. Shareholders belonging to the same group - this being construed as the parent company, the subsidiaries and the companies under joint control - and shareholders that are parties to a shareholders' agreement in accordance with Article 122 of Legislative Decree 58/1998 regarding the issuer's shares may neither present nor vote for more than one list, even through a third party or a trust company.

Each list consisting of not more than seven candidates must contain the names of at least one candidate that meets the requirements for the independent directors of listed companies laid down in Legislative Decree 58/1998 (hereafter also referred to as "Independent Directors in accordance with Legislative Decree 58/1998" or "Independent Director in accordance with Legislative Decree 58/1998"). Each list consisting of more than seven candidates must contain the names of at least two candidates that meet the requirements for Independent Directors in accordance with Legislative Decree 58/1998. Lists are deposited at the Company by the twenty-fifth day prior to the date of the Meeting called by first or only call in order to deliberate on the appointment of the members of the Board of Directors. They are made available to the public at the registered office, on the website and through other means provided for by the applicable regulatory provisions at least twenty-one days prior to the date of the Meeting.

The lists contain:

a) information regarding the identity of the shareholders presenting the lists, specifying the total percentage of equity they possess and an attestation or certification showing their title to their holding;

(b) a declaration from the shareholders presenting the lists other than those that possess, even jointly, a controlling shareholding or a relative majority shareholding, stating the absence or the presence of any relations with the latter, as required in Article 144 quinquies, paragraph 1, of the Issuer Regulations;

(c) full information regarding the personal and professional characteristics of the candidates and declarations from the candidates themselves to the effect that they are in possession of the statutory requirements, that they agree to their candidature; they should also state whether they satisfy the independence requirements laid down in Article 148, paragraph 3, of Legislative Decree 58/1998.

Lists presented that do not comply with the above provisions will not be voted.

Before opening the voting, the Chairman of the Shareholders' Meeting reports any declarations that have been made in accordance with paragraph (b) above and asks the participants attending the Meeting that have not deposited or joined in the depositing of lists to state any relations as defined above.

If a person that is related to one or more major shareholders has voted for a minority list, the existence of such a relationship is only relevant if the vote has been decisive in the election of a Director. Lists that have not obtained a percentage of votes corresponding to at least half of the percentage required for their presentation are not taken into account for the purposes of the allocation of votes to the Directors to be elected. At the end of voting, the votes obtained by the lists are divided by whole progressive numbers from one to the number of Directors to be elected. The quotients thus obtained are attributed to the candidates in each list, according to the ranking set out therein. Then the quotients allocated to the candidates in the various lists are arranged in a single diminishing ranking. Those who have obtained the highest quotients are elected until the number of Directors established by the Shareholders' Meeting has been reached; nevertheless, the candidate in the first place in the list that has obtained the second highest number of votes must in any event be elected as a Director, provided he is not related in any way, even indirectly, to the shareholders that presented the list that obtained the highest number of votes. Therefore, if this candidate has not reached the quotient necessary for election, the candidate that obtained the lowest quotient from the list that obtained the highest number of votes will not be elected, and the Board will be completed by the appointment of the first-placed candidate of the list that obtained the second highest number of votes. The candidate in the first place in the list that obtains the highest number of votes has the position of Chairman of the Board of Directors.

If there is more than one candidate with the same quotient when the number of Directors is to be completed, the position will be given to the candidate in the list from which no Director has been elected, or from which the lowest number of Directors has been elected. If no Directors have been elected from any of the lists, or if the same number of Directors have been elected from the lists, the candidate that has obtained the highest number of votes among the lists will be elected. In the event of the votes for the lists being even, with the quotients also even as specified above, the Shareholders' Meeting will vote again, electing the candidate that obtains a simple majority.

*After the above processes, should there be a potential Board of Directors composed respectively of up to seven or more than seven members, and should, respectively, at least one or two Directors not have been elected that possess the requirements for independent directors of listed companies laid down in Legislative Decree 58/1998, the following procedure will be adopted:*

*(a) for a Board of Directors composed of up to seven members, the candidate that would have been the last elected on the basis of the progressive quotient system, taken from the list that obtains the highest number of votes, is replaced by the candidate that satisfies the above requirements with the next lowest quotient from the same list;*

*(b) for a Board of Directors composed of more than seven members, the two candidates that would have been the last elected on the basis of the progressive quotient system, taken from the list that obtains the highest number of votes, are replaced by the first two candidates that satisfy the above requirements with the next lowest quotients from the same list;*

*(c) for a Board of Directors composed of more than seven members with only one person possessing the said requirements, the procedure to adopt for the election of the second candidate is that set out in section (a) above.*

*4. If only one list is presented, the Shareholders' Meeting expresses its vote on the list and, if it obtains the majority required in accordance with Article 2368 ff. of the Italian Civil Code, the candidates progressively numbered in the list are elected until the number of Directors set by the Shareholders' Meeting is reached.*

*The candidate in the first place in the list has the position of Chairman of the Board of Directors.*

*After the above process, should there be a potential Board of Directors composed respectively of up to seven or more than seven members, and should, respectively, at least one or two Directors not have been elected that possess the requirements for independent directors of listed companies laid down in Legislative Decree 58/1998, the candidate or two candidates that would have been the last elected on the basis of the progressive order in the list, taken from the only list presented, is or are, respectively, replaced by the candidate or first two candidates that satisfy the said requirements in the next lowest place or places.*

*5. If there are no lists, or if the number of candidates elected by means of the list mechanism is lower than the number of Directors set by the Shareholders' Meeting, the Board of Directors is, respectively, either appointed or completed by the Shareholders' Meeting by the statutory majorities.*

*6. If one or more Directors leave office for any reason, those still serving replace them by co-option in accordance with and to the effects of Article 2386 of the Italian Civil Code, it remaining obligatory to comply with the minimum number of Independent Directors in accordance with Legislative Decree 58/1998. When the Shareholders' Meeting appoints Directors to replace others that have left office, even after they have been co-opted, it does so by the statutory majorities, observing the obligation to comply with the minimum number of Independent Directors laid down in Legislative Decree 58/1998.*

Given that no alternative lists were presented to the aforementioned AGM of 19 April, the current board does not include any director appointed by minority shareholders.

## **NON-EXECUTIVE DIRECTORS**

Thanks to their authoritativeness and competence, non-executive directors make an important contribution to the work and deliberations of the board of directors.

## **INDEPENDENT DIRECTORS**

On the basis of information provided by the interested parties or available to the company, and checked according to the criteria defined by the board itself, during the year an evaluation was made to ensure the appropriate requisites of independence of the directors:

Martina Mondadori

Angelo Renoldi

Mario Resca

Cristina Rossello

Carlo Sangalli

Marco Spadacini



The evaluation of such requisites makes reference to all of the criteria outlined in the Code - excepting subsequent indications concerning the period of mandate which should not exceed 9 out of the last 12 years - which defines as independent directors who have not now, nor recently had, neither direct nor indirect, relations with Arnoldo Mondadori Editore SpA (herein "the issuer") or subjects linked to the issuer, such as might condition their judgement, for example, independent directors:

- a) must neither control nor be in a position to significantly influence the issuer, nor be part of a shareholders' agreement through which one or more subjects may exercise control or significant influence, either directly or indirectly, on the issuer also through subsidiaries, trustees or nominees;
- b) must not be, or have been in the last three years, a significant figure\* of the issuer, or a subsidiary of strategic relevance or any company subject to the same control as the issuer, or any company or body that, also with others in a shareholders' agreement, control the issuer or be in a position to exercise significant influence over it;
- c) must not have, now or in the last year have had, a significant commercial, financial or professional relationship, either direct or indirect (e.g. through subsidiary companies or companies in which they are a significant figure, either as a partner of a professional firm or consulting company):
  - with the issuer, any subsidiary or any figure of significance;
  - any subject that, also with others in a shareholders agreement, or, in the case of a company or other body - with relative figures of significance;or, that they are not, nor have been in the last three years, and employees of any of the aforementioned subjects non;
- d) must not receive, nor have received in the last three years, from the issuer or a subsidiary and significant remuneration in addition to the non-executive directors' "fixed" emolument, including participation in incentive schemes related to company performance, also share-based;
- e) have not been a director of the issuer in more than nine of the last twelve years;
- f) do not hold a position as an executive director in any company where an executive director of the issuer is a director;
- g) are neither a partner nor director of a company or other body belonging to the network of the company charged with auditing the issuer's accounts;
- h) are not closely related to anyone in any of the situations outlined above.

\* A "significant figure" in a company or other body means: the chairman, the legal representative, the chairman of the board of directors, executive directors and senior managers with strategic responsibilities for the company or body under consideration.

With regard to Mario Resca, Marco Spadacini and Martina Mondadori during the year the board of directors confirmed the evaluation of independence despite the lack of one of the requisites of the Code, specifically the rule that states directors should not have held office for more than nine out of the last twelve years.

Confirmation of the evaluation of independence of the aforementioned directors was based on the recognition of their professional skills and independence of judgement demonstrated in activities carried out on behalf of the board and, in the case of both Mario Resca and Marco Spadacini, the internal control committee, as well as in consideration of their overall standing with regard to the requisites foreseen by the Code.

During the year, the independent directors met, without the presence of other directors, to:

- examine, together with the head of Internal auditing, the implementation of guidelines for the system for internal control and risk management, with special reference to activities and developments during the year relating to the Risk Assessment process;
- examine the modifications introduced to the system of Corporate Governance by the new version of the Code of Conduct approved by the Corporate Governance Committee in December 2011.

The following table provides a list of the positions as directors or statutory auditors in other listed companies or relevant financial, banking or insurance companies, held by current directors of Arnoldo Mondadori Editore SpA:

Board of Directors	Positions held by directors in other listed companies or relevant financial, banking or insurance companies
Berlusconi Marina	Chairman of Fininvest SpA, Director of Mediaset SpA, Mediobanca SpA and Mondadori France SAS
Costa Maurizio	Director of Amplifon SpA, Deputy chairman of Mondadori France SAS
Berlusconi Piersilvio	Deputy chairman of Mediaset SpA, Chairman and chief executive of R.T.I. SpA, Director of Mediobanca SpA, Medusa Film SpA, Publitalia 80 SpA and Mediaset Espana Comunicacion SA
Briglia Roberto	Director of Mondadori France SAS
Cannatelli Pasquale	Chief executive of Fininvest SpA, Director of Mediaset SpA, Mediolanum SpA and AC Milan SpA
Ermolli Bruno	Director of Mediobanca SpA, Mediaset SpA, , Mondadori France SAS, Fondazione Cariplo. Pellegrini SpA  On 5 July 2012 resigned as a director of Fininvest SpA and Mediolanum SpA and, on 1 August 2012, as Senior Advisor and Member of the European Advisory Council of JP Morgan  Bruno Ermolli also holds the following offices in different bodies and companies: Chairman of Promos (Special Agency of the Milan Chamber of Commerce), and of Parcam Srl, Deputy chairman of the Fondazione Teatro alla Scala Director of Università Bocconi, Politecnico di Milano, Censis, the Fondazione Pier Lombardo, the Fondazione Milano per la Scala, FAI, Sipa Bindi SpA Member of the Governing Body of the Council of CCIAA, Milan
Mondadori Martina	
Poli Roberto	Chairman of Poli e Associati SpA, Director of FIMITA SpA, Fininvest SpA, Coesia SpA, Maire Tecnimont SpA and Ospedale San Raffaele
Renoldi Angelo	Director of Mediolanum SpA and Banca Mediolanum SpA
Resca Mario	Director of ENI SpA
Rossello Cristina	Director of Spadiff SpA, di N.i.co. New Investment Company S.p.A. and Branca International S.p.A.
Sangalli Carlo	DeputyChairman of the Fondazione Cariplo.

Spadacini Marco	Chairman of the board of statutory auditors of AMBI SpA, Apple SpA, Apple Italia Srl, Cooperativa Palomar 3 arl, Acting statutory auditor of Centurion Immobiliare SpA, Member of the Supervisory Board of INTESA SANPAOLO SpA, Director of Compagnia Fiduciaria Nazionale SpA and Metroweb SpA.
Vismara Carlo Maria	Chairman of Mondadori International SpA and Director of Mondadori France SAS

There are no specific guidelines on the maximum number of positions as director or statutory auditor can be held by members of the board of directors in companies included in the above categories, given that such an evaluation is left to individual directors when deciding to accept office.

This position is also made with reference to the criteria of the Code on the role of the board, which recommends that directors accept office only when they believe they can devote to the diligent performance of their duties the time necessary, also in view of the number of directorships or positions as statutory auditor held in other listed companies or relevant financial, banking or insurance companies.

## THE FUNCTIONS AND ACTIVITIES OF THE BOARD OF DIRECTORS

The system of attribution of powers is such as to maintain, within the corporate organisation, the central role of the board that is also entitled, by statute, to use the broadest powers for the ordinary and extraordinary management of the company, with the exception of those reserved by law for the Shareholders', and which are part of the functions and responsibilities for determining the Company and the Group's strategic direction and organisational direction.

In particular, the board of directors:

- establishes the general management policies and approves the company's strategic, industrial and financial plans presented by the chief executive;
- establishes and approves the corporate governance system and rules for the company and its units;
- establishes, based on recommendations of the internal control committee, the guidelines of the internal control system and controls the effectiveness and functioning of the system;
- checks, with particular reference to the system for internal control, the suitability of the organisational, administrative and accounting structure of the company and its subsidiaries with strategic relevance, with special reference to the subsidiaries with strategic relevance with regard to consolidation as per the criteria outlined in Art. 165 of Legislative Decree n. 58/1998;
- gives and revokes the powers to the chief executive and defines the limits of power held by the position and determines, based on the proposal from the remuneration committee that has consulted with the board of statutory auditors, the remuneration of the CEO and other directors that have particular appointments;
- evaluates, based on the information provided at least quarterly by the CEO, the company's results and compares the results with those that had been forecast;
- approves, prior to implementation, particularly important economic and financial operations the company will undertake.

In particular, the board of directors has the exclusive authority to examine and approve the following operations:

- acquisitions and disposals of equity investments;
- acquisitions and disposals of companies or business units;
- acquisitions and disposals of real estate properties;
- joint ventures;
- the granting to third parties by Arnoldo Mondadori Editore SpA of personal and real guarantees, in the interest of the company or its subsidiaries, worth more than €20 million;
- assumption of financing of more than €30 million;
- important investments in equipment that has a strategic impact on the company, and anyway any equipment that costs more than €5 million.

The Board of directors examines and approves any transactions of strategic, economic and financial significance, also those involving subsidiary companies.

The operations of subsidiaries to be approved by the board of directors of Arnoldo Mondadori Editore SpA are identified as significant on the basis of subject and value.

The board also examines and provides prior approval for particularly important activities of the company's subsidiaries. These include:

- acquisitions and disposals of equity investments;
- acquisitions and disposals of companies or business units;
- acquisitions and disposals of real estate properties;
- joint ventures;
- investments in equipment that is important for the Group;
- assumption of financing, granting of guarantees, personal or real;

When, either singly or jointly, such criteria are met:

- a. if the operations will have a significant effect on the price of the shares they must therefore be communicated to the market;
- b. if the operations have a significant effect on the company's balance sheet or income statement.

Operations are considered significant for the balance sheet or income statement if they are worth at least €15 million.

During 2012, the Board held nine meetings, regularly attended also by the Board of Statutory Auditors, the average duration of the meetings was 2 hours and 25 minutes.

An indication of the relative percentages of participation in the meetings of each director is attached to this report.

With regard to the meetings of the Board to be held during 2012, as of the date of preparation of this report, 2 meetings of the Board have been held and, in line with the corporate calendar announced to the market, the following additional meetings are planned:

- 14 May 2013 (approval of the interim report on the first quarter of 2013),
- 30 July 2013 (approval of the interim report to 30 June 2013),
- 14 November 2013 (approval of the interim report to 30 September 2013).

The chairman may, on the initiative of the CEO or at the request of directors, request the intervention at board meetings of directors of the issuer or its subsidiaries responsible for the individual divisions of the group, in order to illustrate to the board specific issues relating to the business divisions of competence and to raise awareness on the part of the directors of the reality and dynamics of the company.

The chief executive also ensures that managers responsible for individual business divisions, involved in matters on the agenda, are available to intervene, if required, during the meetings.

## **CHAIRMAN**

The Chairman of the board of directors, who has now executive powers, is, by statute, the Company's legal representative before third parties and in court. As previously stated, the Chairman participates, in consultation with the chief executive, in the development of strategies to be approved by the board.

### *Pre-meeting information*

The Chairman of the board of directors convenes and coordinates the meetings of the board of directors. In order to facilitate informed participation at its meetings, the documentation relating to items on the agenda will normally be sent in advance to directors and auditors through the secretary of the board of directors and the Department of Legal and Corporate Affairs, with notice of on average 3 days, except in cases of necessity or urgency.

In general, the documentation submitted will be accompanied by a summary regarding the most significant points and with regard to the adoption of the resolutions on the agenda.

As part of the assessment process described below, the board of directors confirmed the overall assessment of adequacy in terms of the timeliness and completeness of the pre-meeting information mentioned above.

## **CHIEF EXECUTIVE**

The chief executive has full operational management powers, with the exception of issues that are the exclusive prerogative of the Board, as set out and listed in the previous section "Functions and activities of the Board of Directors."

The chief executive reports regularly, and at least quarterly, to the board of directors and the Board of Statutory Auditors, pursuant to art. 2381 of the Civil Code, on the main activities, with particular reference to any atypical or unusual transactions with related parties, whose approval is not reserved to the board.

## **EXECUTIVE COMMITTEE**

The Company currently does not have an Executive Committee.

## EVALUATION OF THE BOARD OF DIRECTORS

The Board has implemented a process of self- assessment for the board itself and the committees appointed by the Directors.

In particular, the self-assessment process was implemented following a prior analysis shared with the Audit Committee, with the compilation of special individual "self-assessment questionnaires" collected by the Corporate and Legal Affairs Department and presented to the Board in aggregate form.

In general, self-assessment, which is conducted annually, is aimed, in accordance with the recommendations of the Code, the adequacy of the scale, composition and operating procedures of the Board, the Audit Committee and of the Remuneration Committee, including the expression of any professional figures, taking into account factors such as the characteristics of professional experience including managerial and gender components and their seniority in office, whose presence on the board is considered appropriate.

Specifically, the assessment of adequacy has focused: (i) on the individual characteristics of the directors in terms of requirements and professional experience, (ii) on the structural characteristics of the board of directors (the size, in particular the characteristics of the Group and the possibility of adequately composing the committees of the Board, in particular in terms of creating a balance between executive and non-executive directors and the number of independent directors), (iii) on the organisational characteristics of the board in terms of processes and operating procedures (the flow of information through the prior provision of adequate documentation to the directors of items on the agenda, the frequency and scheduling of meetings with the frequency of directors' attendance at meetings and documents supporting the minutes).

Similar considerations, where applicable, were also adopted with reference to the Committees of the Board.

The outcome of the process revealed a general level of adequacy of the subjects of self-evaluation described above, also with reference to the component of independent directors.

## DIRECTORS' INTERESTS AND OPERATIONS WITH RELATED PARTIES

Pursuant to art. 2391 *bis* of the Civil Code and in accordance with the general principles of the "Regulations on Transactions with Related Parties" issued by Consob with resolution no 17221 of 12 March 2010, and subsequent modifications ("Consob Regulations"), the Board approved, as of 25 November 2010, with the prior approval of a committee consisting solely of independent directors Angelo Renoldi, Carlo Sangalli and Marco Spadacini, the "Procedures for Related Party Transactions (the "Procedures ").

The Procedures, which replace the previous rules adopted by the Board in this area, outlines the rules, roles, responsibilities and activities carried out in order to ensure the transparency and procedural fairness of transactions with related parties carried out by the Company directly or through its subsidiaries.

In particular, the procedures adopted by the Board of Directors:

- identify and qualify related parties, with reference to the definitions set out in Annex 1 of the Consob Regulations and the International Accounting Standard IAS 24;
- qualify the criteria for the identification of the major operations - to be approved by the Board after agreement from a committee consisting solely of independent directors - and operations of minor relevance;
- identify the bodies and entities involved in the application of the Regulating Procedures and the respective roles and information flows and documentation;
- identify the types of transactions exempt from the application of the Procedures.

In order to further consolidate the requirements for the transparency and procedural fairness of transactions with related parties in accordance with the guiding principles of the relevant legislation, parts of the Procedures are more rigorous than the options expected of companies pursuant to Article 4, paragraph 1, letter f) of Consob Regulations.

Under these terms the Procedures foresee:

- a reduction - for specific types of transactions - of market share thresholds set out in the Regulations for the identification of significant transactions;
- the exclusion of the "whitewash" meeting mechanism where negative opinions have been expressed by the committee of independent directors.

In line with the criteria for the identification of related parties listed above, the Procedures are specifically applied in cases where the ratio of correlation concerns a director of the Company and may therefore constitute an interest by the director in the transaction under consideration.

In general, in the case of transactions with the companies in which a director has an interest, in his own right or on behalf of third parties, the director concerned, as well as providing, in advance, the Board and the Board of Statutory Auditors the information referred to art. 2391 of the Civil Code, will not take part, unless otherwise instructed by the Board, in view of the characteristics of the transaction, the related discussion and vote in the boardroom.

The "Procedures Governing Related party transactions" are available at [www.mondadori.it](http://www.mondadori.it) - in the Governance section, the system of governance, regulations and procedures.

Detailed information on Transactions with related parties for 2012 are given in the Notes to the Financial Statements and the Consolidated Financial Statements in the Annual Report for the year to 31 December, available at [www.mondadori.it](http://www.mondadori.it) - Section governance.

## **DIRECTORS' AND EXECUTIVES' REMUNERATION**

The Board has reviewed and evaluated - with the support, advice and suggestions of the Remuneration Committee, established by the board and composed, with powers and a remit described below - the guidelines for a general policy for the remuneration of directors and executives.

### Policy Guidelines for Remuneration

In general terms remuneration policy is defined in order to attract, motivate and retain individuals with the professional skills necessary to ensure the achievement of the principal objective of creating sustainable value for the company and the group over the medium to long term.

To this end, it identifies, as the focus of an alignment between the interests of shareholders and those of the management, the maintenance of a strict correlation between pay and performance.

It follows that a significant part of the total remuneration of executive directors and key managers is linked to the achievement of specific objectives, defined with particular attention to performance both at the consolidated level and of specific business areas or business functions, both in the short and the medium-long term.

Consistent with this general purpose, the remuneration policy establishes guidelines based on the following criteria:

- an appropriate balance of the fixed and variable components, depending on the strategic objectives and policy of the Company's risk management, taking into account the business sector and the characteristics of the activity actually performed;
- the establishment of limits for the variable components;
- the establishment and definition of metrics for performance objectives related to the provision of variable components;
- the provision that a significant portion of the variable component related to long-term plans be deferred for adequate period of time after maturing.

The remuneration of non-executive directors is not linked to the business results achieved by the company, either consolidated or in any other performance objectives.

Non-executive directors are also not entitled to participate in stock-based incentives schemes.

### Implementation of remuneration policy

The implementation of remuneration policy, in accordance with the principles and guidelines established by the board of directors, is entrusted to the Department of Human Resources, Organisation and Operations.

The Director of the Department of Human Resources, Organisation and Operations reports to the Remuneration Committee, at least one a year, and in any case within the term of the reporting period, on the measures adopted for the implementation of remuneration policy.

The Remuneration Committee, on the basis of the above report, monitors and verifies the consistency of the implementation procedures with respect to the principles defined and reports to the Board of Directors.

### Compensation plans based on financial instruments

In connection with any future compensation plans based on the allocation of financial instruments, to be approved by shareholders pursuant to art. 114 *bis* of the Legislative Decree 58/1998 and subject, when adopted to specific information being given to the market in accordance with current provisions, the details and the application procedures are defined by the Board of Directors with the support, advice



and suggestions of the Remuneration Committee, in line with the risk profile of the company and with reference to general principles of:

(i) the consolidation the process of creating sustainable value for the company and the group in the medium-long term, and the provision of incentives and loyalty of management by defining the duration and multi-year vesting, (ii) the allocation or exercisability of financial instruments conditional on the achievement of predefined and measurable corporate and/or market performance objectives, (iii) restrictions on the recipients remaining with the company.

With respect to stock option plans previously established by the Shareholders, for which residual exercise periods are still underway, please refer to the description and the relevant table in Section II of the Remuneration Report, hereinafter referred to, and the documents published under Article. 84 *bis* of Consob Regulation 11971/1999 and available on the site [www.mondadori.it](http://www.mondadori.it) - Governance section.

The principles applied to Stock Option Plans, previously established by the shareholders, does not contain provisions for holding in the portfolio financial instruments after vesting on the exercise of options allocated, having been deemed suitable for the purpose of providing incentives, encouraging loyalty and the creation of value, the determination of a three-year vesting period subsequent to the assignment of the same options.

#### Remuneration report - Referral

The guidelines on the policy for the remuneration referred to above were developed and implemented in the Report on remuneration, as provided by art. 123 *ter* of Legislative Decree of 24 February 1998. 58, approved by the Board of Directors, on proposal of the Remuneration Committee, on 19 March 2012 and available at the registered office and corporate site [www.mondadori.it](http://www.mondadori.it) - Governance section.

Please refer to the Remuneration Report for:

(i) detailed information relating to the purposes and principles of the policy adopted by the company for the remuneration of directors and executives with strategic responsibilities and procedures for the adoption and implementation of this policy (Section I); (ii) an analytical description, in the form of tables, of the components of remuneration for directors and executives with strategic responsibility for the current period (Section II).

The first section of the Report is presented for the approval, in favour or against and non-binding of the AGM called for 23 April 2013 (24 April, on second call) to approve the Annual report for the year to 31 December 2012.

#### **REMUNERATION COMMITTEE**

The Remuneration Committee comprises three non-executive directors, the majority of which independent. Also the Chairman of the committee is selected from the independent directors, specifically:

**Marco Spadacini** - Chairman - non-executive and independent director

**Bruno Ermolli** - non-executive director

**Carlo Sangalli** - non-executive and independent director

The members of the Remuneration Committee will be in office until the expiry of the mandate of the board of directors, until the approval of the approval of the Annual Report for the year to 31 December 2014, excepting eventual resolutions to the contrary.

During 2012 the Committee held 2 meetings, duly minuted, which, at the invitation of the Committee, were also attended by the chairman of the Board of Statutory Auditors.

The percentage of attendance at meetings by each member was 100%.

The meetings were to:

- define the proposal of the board of directors, with a view to the adoption of the Remuneration Report, pursuant to art. 123 *ter* of the Single Finance Act;
- evaluate and define the proposal from the board of directors regarding the remuneration of directors with special responsibilities.

During the year, the board of directors decided to merge the functions of the Appointments Committee, as governed by the Code of Conduct (December 2011 edition). The Committee was consequently renamed the Appointments and Remuneration Committee.

The Board of Directors has charged the Remuneration Committee with:

- providing advice and making proposals to the Board regarding the remuneration policy for directors and executives and the periodic review, in coordination with the Human Resources Department, of the consistency of executive action with respect to the principles defined by the policies, and duly reporting to the board of directors;
- making proposals to the board of directors on the remuneration of directors with special powers (e.g. chairman, CEO, directors with powers and directors who are members of committees);
- submission to the Board of Directors of the initiatives undertaken by the Committee for the identification and definition of corporate guidelines in terms of loyalty and incentive schemes for management;
- making proposals on the implementation of stock option plans established by the shareholders pursuant to art. 114 *bis* of Legislative Decree no. 58/1998, as mentioned above;
- to provide opinions to the Board about “the size and composition of the Board and the professional figures whose presence on the board is considered appropriate” as well as any limits on the number of other positions assumed by the directors;
- propose to the Board candidates for the office of director in the case of co-opted appointments to replace independent directors

In carrying out its functions, the Remuneration Committee has access to all necessary information and functions for the performance of its duties.

In terms of how it operates, the subject to specific regulations, the directors constituting the Board shall meet and act jointly whenever the Chairman deems necessary or request the other two components.

The deliberations of the Committee are decided by simple majority and shall appear in a report signed by all members attending the meeting and the Chairman of the Board to attend meetings without voting rights.

It should be noted that, as recommended by the Code, the Committee shall act in relation to the functions assigned by the Board, in the absence of directly interested parties.

In particular, the directors shall not participate in Committee meetings where proposals are submitted to the Board concerning their remuneration.

## **DESCRIPTION OF THE INTERNAL CONTROL SYSTEM**

### **MAIN CHARACTERISTICS OF THE SYSTEM FOR THE MANAGEMENT OF RISKS AND INTERNAL CONTROL**

#### ***PREMISE***

The system of internal control and risk management is the set of rules, procedures and organisational structures aimed at ensuring a proper process of identification, measurement, management and monitoring of the main risks.

This system is integrated into the broader organisational and corporate governance policies of the issuer and takes due account of the reference models and best practices at national and international levels.

Among the main elements subject to intervention, special importance is given to the management of risks, as the guiding principle of the internal control systems of the issuers. In this context, the board of directors plays a central role, as evidenced by the introduction of the specific function to “define the nature and level of risk which is consistent with the strategic objectives of the issuer.” In line with the risk profile determined, the board also establishes “the guidelines for the internal control system and risk management, so that the main risks relating to the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining the degree of compatibility of such risks with the management of the company in line with the strategic objectives “and evaluating, at least annually, the adequacy of the internal control and risk management system with respect to the Company and the risk profile, as well as its effectiveness.” In carrying out these functions, the board relies on adequate preparatory work being carried out by the Control and Risk Management Committee.

In 2008, in conjunction with the first draft of the Guidelines for the internal control system, the Mondadori Group implemented a risk management process, using a model for the identification, assessment and management of risks to which it is exposed in the context of the businesses in which it operates.

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

In the course of the reporting period the board of directors, with the approval of the Control and Risk Management Committee, approved the guidelines and direction of the system of internal control and risk management, in accordance with the recommendations of the December 2011 edition of the Code of Conduct.

#### ***a) Reference Model***

In accordance with the explicit recommendation of the Code to “take due account of the reference models and best practices existing at national and international levels”, the methodology is based on

the principles of the "COSO Report", among the most authoritative standards and adopted at an international level, and in particular, with regard to the identification and management of risks, the principles outlined in "COSO - Enterprise Risk Management (COSO ERM).

The COSO ERM - Integrated Framework foresees:

- that management has put in place an adequate process for the setting of objectives and that such objectives support and are consistent with the corporate mission;
- the compatibility of risks with the attainment of the strategic objectives (Risk Appetite).

Based on the methodology adopted and the Code of Conduct, the Mondadori Group annually provides for the definition and sharing with the management of the mission/vision and strategic objectives of the Group, the latter in both quantitative and qualitative terms.

These strategic objectives are then applied to the individual areas and business units.

The board of directors identifies the level of risk appetite linked to the achievement of strategic objectives, as defined above.

#### *b) Dimensions of analysis*

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

- objectives
- components
- context,

explained below.

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

The process of management of the system of internal control and risk management provides reasonable assurance about the risks connected to the achievement of strategic business objectives and their related operational objectives, specifically:

- the effectiveness and efficiency in the conduct of operations, including the protection of corporate assets (operational objectives);
- the reliability of financial and non-financial information (reporting objectives);
- compliance with applicable laws and regulations (compliance objectives).

In this context, the following elements have been identified and monitored:

- the identification of risks of failure to achieve objectives;
- an assessment of the impact/probability of such risks;
- methods of risk management currently in place;
- an assessment of the effectiveness of safeguards against identified risks.

The process of management of the system of internal control and risk management implemented to pursue the three objectives mentioned above must also be able to:

- react quickly to significant risks, providing adequate controls;
- ensure, in the context of business processes, an adequate level of separation between operational and control functions, so as to prevent the occurrence of conflicts of interest;
- ensure, as part of the operational, administrative and accounting procedures, the use of systems and procedures to safeguard the accurate recording of company and management

activities, and the establishment of reliable and timely information flows within and outside the Group;

- make arrangements for the timely reporting of significant risks and anomalies that may emerge to appropriate levels of control within the Group, enabling the identification and timely implementation of corrective action.

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

The system of internal control and risk management takes into account all the components and their interrelationships to ensure an adequate overview of the Company's situation.

The management of the elements that make up the system of internal control and risk management is defined through a Risk Management Process in order to make the control system dynamic.

This process covers the following main topics:

- the definition of strategic and operational objectives,
- the identification of risks that may affect the achievement of objectives,
- the definition of roles and responsibilities of management (risk owner)
- the definition of the level and methods of communication,
- the monitoring of the process with on going activities and assurance.

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

The definition of the system of internal control and risk management affects the entire Group and takes into account in an integrated manner the various business areas of the Group.

### *c) Periodic communications*

In order to comply with the information requirements for the management of the system, all document flows are in place for updating and reporting between the parties and the bodies involved in the management of the control system and risk management: board of directors, Control and Risk Management Committee, director responsible for the system of internal control and risk management, internal audit.

## **COMPATIBILITY OF THE DEGREE OF RISK IN RELATION TO THE ACHIEVEMENT OF THE STRATEGIC OBJECTIVES**

Based on the methodology adopted, the Mondadori Group, as outlined above, annually provides for the definition and sharing with the management of the mission/vision and strategic objectives of the Group, the latter in quantitative and qualitative terms.

The board of directors has determined the degree of compatibility of the risks with regard to the achievement of the strategic objectives identified (Risk Appetite) in accordance with the definition, begun 2008, and updated on an annual basis as part of the risk management process. As a result of this process thresholds of risk have been determined that identify three levels of risk (High, Medium and Low) in order to analyse the degree of compatibility between the expected value of the risk and the achievement of the objectives identified. In this context, the board of directors has identified an averagely prudent level of risk appetite, particularly with respect to achieving the objectives of defending the Group's reputation, compliance with rules and regulations and the adequacy of financial reporting.

The following shows the composition, functions and activities of those involved in the system of internal control and risk management.

## **RISK MANAGEMENT**

Within the Internal Control System the Risk Management function is responsible for supervising and coordinating the activities of those involved.

The risks, classified by a model divided into categories and subcategories are assessed according to two parameters: the probability of occurrence of the event and the impact on economic/financial, market share, competitive advantage and reputation issues.

This assessment is carried out at both the inherent, in the absence of mitigation of the risks and any activities carried out by management to reduce the probability of occurrence of the risk and/or their related impacts, and the residual level, i.e. taking account of these actions.

The deputy chairman and chief executive defines the Group's strategic objectives, that translates into first-line management objectives for the respective departments.

Through a process of self assessment, the business unit managers or function heads identify the risks that relate to their areas of competence and assess them, firstly at an inherent level and subsequently at the residual level, after having identified possible mitigation measures.

The Risk Management function collects and elaborates the assessments, and presents to first line management a framework of the relevant risks facing the respective department for validation.

Once the risks faced by all departments have been validated, the Risk Management function groups risks in homogeneous categories and makes a consolidation, assigning a weight to each risk that is proportionate to the relevance of the department to the Group.

The results of the risk management process are communicated in the first instance to the chief executive by the Internal Control Officer, then to the Audit Committee and the Board of Statutory Auditors, and subsequently to the board of directors by the chief executive, and form the basis for further study of the structures and bodies put in place for the purpose.

The Internal Audit function is responsible for ascertaining the existence and effectiveness of the mitigation measures implemented by the different areas.

The risk management process provides for an annual review of the risk situation, to be conducted in the manner described above.

With reference to the activities during 2012 it should be noted in particular:

- the updating and monitoring of the system of Risk Assessment with regard to the parent company and subsidiary and associated companies.
- Risk assessment with regard to issues pertaining to Corporate Social Responsibility (CSR) following the launch of a Sustainability Report.
- Risk Management Audits to ascertain the existence and effectiveness of mitigation measures implemented by companies in order to reduce the risks that impact the business.

The main risks and uncertainties regarding the parent company and subsidiaries are included in a specific section of the 2012 Annual Report.

## INTERNAL CONTROL COMMITTEE

The board of directors has established a Committee for Internal Control & Risk Management that consists of three independent directors with, inter alia, the experience in accounting and finance deemed appropriate by the board.

The members of the Internal Control & Risk Management Committee are:

- Angelo Renoldi** - non-executive and independent director, chairman;
- Marco Spadacini** - non-executive and independent director;
- Mario Resca** - non-executive and independent director.

The members of the Committee will remain in office until the expiry of the mandate for the directors, in other words until the approval of the 2014 Annual Report unless resolved otherwise.

The Committee for Internal Control and Risk Management has an advisory role and makes proposals to the board and provides assistance and support with the monitoring of the adequacy of the aforementioned internal control and risk management system.

The Committee coordinates its activities, within the terms of their respective competence, with the Board of Statutory Auditors, the independent auditors, the internal control officer and the executive responsible for overseeing the functioning of the internal control and risk management system and the manager responsible for financial and corporate reporting.

In particular, in accordance with the Code, the Committee is expected to:

- (i) evaluate the work plan prepared by the head of internal auditing and receive periodic reports prepared specifically for the evaluation of the system of internal control and risk management and the systems put in place with particular regard to internal auditing;
- (ii) evaluate, together with the manager responsible for preparing the financial statements and the auditors, the correct application of the accounting principles used and their appropriateness for the preparation of the consolidated financial statements;
- (iii) monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- (iv) request the Internal Auditing department to conduct checks on specific operational areas, reporting its findings also to the chairman of the Board of Statutory Auditors;
- (v) report regularly to the board, and at least every six months, in connection with the approval of the annual results and the interim report, on the adequacy of the internal control and risk management system;
- (vi) provide advice on specific aspects concerning the identification of the principal risks faced by the company;
- (vii) provide advice to the board of directors regarding the results outlined by the external auditors in the letter of recommendations and the reports on issues emerging from the independent audit;
- (viii) provide advice to the board of directors regarding the appointment and dismissal of the

head of Internal Auditing, as well as the resources allocated and relative remuneration.

In carrying out its duties, the Internal Control & Risk Management Committee has the right of access to all information and functions necessary for the performance of its duties.

The Internal Control & Risk Management Committee held six meetings in 2012, duly minuted, with the participation at different times of members of the Board of Statutory Auditors, the deputy chairman and chief executive, the head of internal auditing and the supervisory and control body, as well as the auditing firm Deloitte & Touche and the heads of some business functions.

With reference to the activities during 2012 in particular the Committee for Internal Control & Risk Management:

- analysed and agreed the new measures foreseen by the new Code of Conduct for listed companies published by Borsa Italiana on 5 December 2011. It consequently approved the Regulations and Functions attributed to the Internal Control & Risk Management Committee with regard to the provisions of the new Code;
- approved the annual plan of activities for 2012 for the internal audit of the company and its subsidiaries, as prepared by the director responsible for internal control and reviewed its implementation.

The 2012 plan was structured along four main lines of action in order to verify:

- the application of various procedures by the Parent Company and Group companies;
- the application of law 262/02;
- the application of procedures arising from Legislative Decree No. 231/2001;
- the risk management auditing activities for the assessment of the implementation and effectiveness of mitigation actions identified by the Risk Assessment;
- reviewed the activities of the Internal Audit function in 2012, sharing the suggestions and proposing their own.
- noted the operational provisions implemented by the company during the year.
- examined the impairment test methodology for the Financial Statements to 31 December 2011 adopted by the company, approving both the procedure and the calculation.
- reviewed the annual report of the Committee for Internal Control & Risk Management.
- analysed the outcome of Risk Assessment activities as presented by the executive director responsible for overseeing the functioning of the internal control and risk management system, Maurizio Costa, and the report prepared by the same. Activities in 2012 covered both the parent company and the Italian and French subsidiaries.
- noted the report on the self-assessment by the head of internal auditing, Paolo De Benedetti, of the Internal Control & Risk Management System of the Mondadori Group.
- analysed the self-evaluation process of the members of the Board of Directors of the company.
- examined Internal Audit activities and monitored the implementation of operational provisions at the French subsidiary.
- shared and approved the Risk Management Guidelines, in order to formalise and establish the procedures with the identification of the aims, scope (i.e. functions and departments involved), information flows to and from the risk management function.
- examined the report by the head of the Internal audit unit regarding the new provisions for the



system of internal control and risk management with regard to the Code of Conduct; in particular, the new guidelines were examined, along with the definition of the strategic objectives and the Group's risk appetite, within the Risk Assessment, and finally the methods for the preparation of the risk-based audit plan. On all these issues the board of directors expressed a favourable opinion.

With regard to activities carried out in 2013, it should be noted in particular that the Committee for Internal Control & Risk Management:

- at the meeting of 19 February, the Committee made a preliminary examination of the impairment test methodology to apply to the annual report for the year ended 31 December 2012.
- at the meeting of 28 February, the Committee:
  - i.* examined the activities of the Internal Auditing unit in the period October - December 2012 (15 actions in the period considered, and a total of 59 audits in the year 2012) sharing the recommendations and making its own.
  - ii.* approved, having consulted the Statutory Auditors, the Internal Audit unit's annual risk-based plan for 2013 for the company and its subsidiaries, as proposed by the head of the unit.

The 2012 plan foresees 60 actions, along six lines, aimed at verifying:

    - a) Operational audit,
    - b) Compliance audit,
    - c) Compliance audit 231,
    - d) Financial audit,
    - e) IT audit,
    - f) Fraud audit.
  - iii.* approved, having consulted the Statutory Auditors, the proposal by the executive director responsible for the internal control and risk management system to confirm the appointment of Paolo De Benedetti as head of the Internal Audit function.

The Control and Risk Management Committee also checked the resources allocated and the structure dedicated to the function which were deemed to be adequate.
  - iv.* examined the results of Risk Assessment activities 2012-2013 regarding the company's individual central functions and businesses.
- at the meeting of 20 March, the Committee:
  - i.* examined the results of Risk Assessment activities 2012-2013 presented by the executive director responsible for the internal control and risk management system and the report by the head of the Internal Audit unit. Activities in 2012-2013 concerned the updating of results regarding both the parent company and the Italian and French subsidiaries.
  - ii.* approved, having consulted the Statutory Auditors, the report by the head of the Internal Audit unit, Paolo De Benedetti, on Mondadori Group's Self-Assessment of the Control and Risk Management System for 2012.
  - iii.* examined the annual report of the Risk Committee for 2012, in which no anomalies were identified.

The activities of the Committee were the subject of regular reports to the board of directors.

From all of the checks carried out during the year no oversights were identified in terms of organisation and/or procedures of particular relevance. Consequently, on the basis of the work carried out, action taken and the organisation of activities, the system of internal control and risk management of the company and group was deemed fit for purpose.

#### **EXECUTIVE DIRECTOR IN CHARGE OF OVERSEEING THE INTERNAL CONTROL SYSTEM**

The Board of Directors, following the proposal of the Internal Control & Risk Management Committee, assigned to the chief executive, Maurizio Costa, the role of “executive director in charge of overseeing the internal control and risk management system”, this involves the following functions:

- (i) implementing the Board of Directors’ guidelines for ensuring the internal control system is properly planned, set up and managed, and for regularly checking on its overall adequacy, efficiency and efficacy;
- (ii) the identification of the principal risks facing the company, taking account of the characteristics of the businesses conducted by the company and its subsidiaries, and periodically presenting them for examination to the Board;
- (iii) to require the internal audit function to perform checks on specific areas of operation and compliance with internal rules and procedures for the execution of business operations, providing relevant information to the chairman of the Board of Directors, the chairman of Internal Control & Risk Management Committee and the chairman of the Board of Statutory Auditors;
- (iv) to report promptly to the Internal Control & Risk Management Committee (or the Board) on issues and problems that emerged in the course of its activities or of which has been informed, in order that the Committee (or the Board) may take appropriate action.

In order to implement the guidelines laid down by the board of directors, the executive director in charge of overseeing the internal control and risk management system set up and coordinated the Risk Assessment activities described in this report in the section “Description of the System of Internal Control & Risk Management”.

#### **INTERNAL CONTROL OFFICER**

Following the proposal of the executive director in charge of the internal control and the favourable opinion of the Internal Control & Risk Management Committee and having informed the Board of Statutory Auditors, the Board of Directors confirmed Paolo De Benedetti in the position of head of the Internal Audit unit.

The Internal Control & Risk Management Committee also verified the adequacy of the resources allocated and the structure of the function.

The board of directors has redefined, as indicated below, the activities and the role of the Internal Audit Function:

- (i) to verify, both on a continuous basis and in relation to specific needs and in compliance with international standards, the operation and adequacy of the internal control and risk management system, through an audit plan, approved by the Board of Directors, and based on a structured process of analysis and the ranking of the main risks.
- (ii) to prepare periodic reports containing adequate information about its work, the way in which risk management is conducted, as well as compliance with the plans for the reduction of risk. Such reports will contain an assessment of the adequacy of the internal control and risk management system.
- (iii) to prepare timely reports on events of particular significance.
- (iv) to transmit the reports referred to above, to the chairmen of the board of statutory auditors, the internal control and risk committee, the board of directors, as well as the executive director responsible for the internal control and risk management system.
- (v) to verify, as part of the audit plan, the reliability of information systems, including accounting systems.

The internal control officer is not responsible for any operational area but reports directly to the board of directors and has full access to all information necessary to perform the function.

During 2012, the activities of the internal control officer, was focused on both the coordination of compliance with Law 262/05 and providing support for the executive in charge of preparing corporate accounting documents, as well as areas related to Risk Management.

#### **Work plan for the Internal Audit function**

The board of directors has approved the work plan, and its implementation, as prepared by the head of the Internal Audit unit (risk-based audit), with the approval of the Internal Control and Risk Management Committee, and after consultation with the Board of Statutory Auditors and the executive director responsible for the internal control and risk management system.

The methodology adopted for the plan "Audit Risk based" is that proposed by the Association of Italian Internal Auditors (AIIA) and takes due account of the reference models and national and international best practice.

The objective of the Risk-based Audit Plan is the choice of the checks to be carried out on the basis of a classification of the objects of audit obtained by an assessment of the risk (the so-called risk score).

The methodology is divided into four phases:

- 1) collection of information (identification of objects of audit to be analysed from various corporate sources);
- 2) identification and evaluation of risk factors;
- 3) definition of risk scoring by an evaluation of the factors;
- 4) preparation of the internal audit plan (selection of objects with the highest audit risk score).

In order to ensure the effectiveness of the system of internal control and the safeguarding of the company's assets, the efficiency and effectiveness of business processes, the reliability of financial

reporting and compliance with laws and regulations, as well as the articles of association and internal procedures, the audit plan takes account of:

- a) priorities for action, to allow the allocation of resources based on the importance and significance of exposure to risk;
- b) the necessary flexibility to deal with any unforeseen requirements;
- c) adequate audit coverage of all business processes which, if neglected, could over time lose their efficiency.

## **ORGANISATION, MANAGEMENT AND CONTROL MODEL (EX D. LGS. N. 231/2001)**

On 11 December 2003, the board of directors adopted an organisation, management and control model, in compliance with legislative decree n. 231/2001, which introduced to Italian law the principle of administrative criminal responsibility for companies for certain illegal acts committed by directors, executives or employees in the interest or to the advantage of the company itself.

On 12 November 2006, 30 July 2008 and, finally, 29 July 2010, the board of directors adopted updated and integrated versions of the organisation, management and control model following changes to the normative framework of reference and with a view to anticipating legal guidelines and experience gained over the first years of the application of the model.

The model, which has been developed in compliance with the guidelines set out by category associations is an additional qualifying element in the company and group's system of internal control, and features:

- a general part, including, among other things, specific information regarding the qualifying content of legislative decree n. 231/2001 and subsequent additions, the aims and operation of the model, the attributions of the body charged with controlling the application and operation of the model, information flows and the system of sanctions foreseen for violations of the model's provisions;
- a special part, comprising a series of specific protocols for the different types of crimes foreseen by legislative decree n. 231/2001.

The organisation, management and control model is available on the web site [www.mondadori.it](http://www.mondadori.it) - in the Governance section.

### **SUPERVISORY AND CONTROL BODY**

The board of directors on 19 April 2012 confirmed the Supervisory and Control Body based on the Organisational Model pursuant to Legislative Decree 231/01 with a collegiate structure, that will remain in office until the expiry of the mandate of the board of directors, unless otherwise resolved, and made up as follows:

- |                                 |  |
|---------------------------------|--|
| <b>Ferdinando Superti Furga</b> | - chairman of the board of statutory auditors; |
| <b>Angelo Renoldi</b>           | - independent non-executive director;          |
| <b>Paolo De Benedetti</b>       | - head of the Group Internal Audit unit.       |

In compliance with the terms of legislative decree n. 231/2001 and subsequent modifications and integrations, the board of directors has given the supervisory and control body full powers in order to guarantee the precise and effective control of the operation and respect of the model itself, authorising total access for the body to all company functions regarding information and data deemed necessary to fulfil its mandate.

In particular, and by way of example, the supervisory and control body has the following tasks and responsibilities, to carry out, where necessary with the support of other company functions and external consultants and with full economic autonomy, also through the definition of specific budget items:

- (i) monitor compliance with the provisions of the model by the parties concerned, pointing out any shortcomings and areas which may be at greater risk, given the violations recorded;
- (ii) monitor the effectiveness of the model and its real capacity to prevent the crimes outlined in legislative decree N. 231/2001 and subsequent amendments, in respect of individual corporate structures and the concrete activities carried out;
- (iii) ensure the maintenance over time of the soundness and functionality of the model;
- (iv) monitor the appropriateness of proceeding with an update to the model, in response to changing regulatory conditions or business circumstances;
- (v) obtain documents and information from various corporate functions and carry out regular checks and inspections on high risk activities;
- (vi) promote information campaigns and training on the principles, values and rules of conduct outlined by the model.

The supervisory and control body reports regularly to the board of directors, the internal control & risk management committee and the board of statutory auditors on the activities carried out, the operation of the model or any specific situations.

## **MANAGER RESPONSIBLE FOR FINANCIAL REPORTING**

On 19 April 2012 the board of directors confirmed as the officer responsible for financial reporting, pursuant to art.154-*bis* del legislative decree N. 58/1998, the chief financial officer Carlo Maria Vismara, who will remain in office until the end of the mandate of the board, i.e. until the meeting to approve the Annual Report for the year to 31 December 2014. Carlo Maria Vismara also held this position for the period from his appointment on 12 September 2007 until the AGM approval of the company's financial statements to 31 December 2012.

The board also gave to the manager responsible for financial reporting the powers and means to fulfil his task, in line with the provisions of the aforementioned article 154-*bis* of legislative decree N. 58/1998, also with regard to the management and coordination of business functions involved in monitoring administrative and accounting procedures.

With regard to professional qualifications and terms of appointment by the board of directors of the manager responsible for financial reporting, reference should be made to art. 24 of the Articles of Association, available on the company website: [www.mondadori.it](http://www.mondadori.it) - in the Governance section.

The manager in charge of financial reporting, in executing the powers granted to him, coordinated and carried out a series of organisational and operational measures designed to satisfy the normative requirements.

In particular, this led to the identification of a standard operating model inspired by the Internal Control Framework of the Treadway Commission's Committee of Sponsoring Organisations, the most common international standard for internal control systems.

The model specifically aims to ensure reliable reporting data by specifying a series of control activities to be applied to the administrative and accounting procedures when drawing up the annual report, the consolidated financial statements, the half-yearly financial statements and generally any financial disclosure.

The operational model also regulates how the suitability of the administrative and accounting procedures is monitored and the ways of verifying the actual application of the procedures.

The board of directors, with the support of the Internal Control & Risk Management Committee, oversees the adequacy of the powers and means given to the manager in charge of financial reporting as well as ensuring that administrative and accounting procedures are respected.

In particular, the board:

- formalised the rules governing the manager in charge of financial reporting to regulate:
  - the role and function of the manager in charge of financial reporting that are carried out in relation to the activities and responsibilities laid down by law. In particular, they spell out the powers that are given to the manager when he or she is appointed by the board of directors, both in terms of spending and in terms of use of internal staff and corporate functions, with particular reference to "Administrative Processes" and "Administration and Group Financial Reporting" as regards the definition, implementation and monitoring activities and with reference to "Internal Audit" for checking the correct application of the procedures
  - the main communications and forms of coordination between the manager in charge of financial reporting, the company's administrative and oversight bodies and its corporate functions
- verified the definition of the operating model regarding how administrative and accounting procedures are monitored for adequacy and verified that these procedures were actually applied.

Details regarding the definition and implementation of the operational model described above are provided in Section II of this report.

## **BOARD OF STATUTORY AUDITORS**

The board of statutory auditors, made up, in line with the Articles of Association, of three standing statutory auditors and two substitutes, was appointed by the Shareholders' Meeting of 19 April 2012 and will remain in office until the AGM for the approval of the company's Annual Report for the year to 31 December 2014.

The current board of statutory auditors is made up by:

<b>Ferdinando Superti Furga</b>	- Chairman
<b>Francesco Antonio Giampaolo</b>	- standing statutory auditor
<b>Franco Carlo Papa</b>	- standing statutory auditor
<b>Ezio Simonelli</b>	- substitute statutory auditor
<b>Francesco Vittadini</b>	- substitute statutory auditor

The following table shows the offices held by the current member of the board of statutory auditors Arnoldo Mondadori Editore SpA in other listed companies:

Board of Statutory Auditors	Offices held in other listed companies
Superti Furga Ferdinando	Standing statutory auditor of Telecom Italia SpA, Chairman of the board of statutory auditors of Saras SpA
Giampaolo Francesco Antonio	—
Papa Franco Carlo	Director of Risanamento SpA

The mandate for statutory auditors is three years, and may be renewed.

Information about the personal and professional characteristics of each of the members of the board of statutory auditors is available from the company website [www.mondadori.it](http://www.mondadori.it) - in the Governance section.

Under the present statutory provisions all statutory auditors must be listed on the official register of statutory auditors and audit firms and must have carried out statutory audits for a period of not less than three years.

Statutory auditors must also meet the requirements of the provisions of current law and regulations.

Among other things, during 2012, the board of statutory auditors:

- ensured the correct application of the criteria adopted by the board of directors to evaluate the independence of directors;
- verified, applying the criteria required by the Code in relation to directors' independence, the independence requirements of its members as set out in the Code;
- monitored the independence of the external audit firm with regard to the nature and extent of non-audit services provided to the company and its subsidiaries by the independent auditors and other companies in its network.

During 2012, 11 duly minuted meetings of the board of statutory auditors were held. There were also meetings between the board of statutory auditors, the Internal Control Committee and the heads of various business functions - including the Internal Audit unit - with particular reference to assessing the adequacy of internal control system, and between the board of statutory auditors and the external auditing firm for the mutual exchange of information.

Attached to this report are the percentages of attendance at meetings of each statutory auditor.

Below are the requirements, established by art. 27 of current Articles of Association regarding the method and procedures for the appointment, through the mechanism of a voting list, of the board of statutory auditors. In this regard it is noted that:

- with regard to the stake required for the submission of lists, the Articles of Association, as specified below, refers to the percentage that, according to the Issuers' Regulations, is established annually by Consob on the basis of the average market capitalisation of companies in the last quarter of each year. As an indication it should be noted that currently, due to Consob Resolution N. 18452 of 31 January 2013, the stake required to submit lists applying to Arnoldo Mondadori Editore has been set at 2.5% of the share capital.

The same stake of 2.5% was applicable for the appointment of the board of directors approved by the Shareholders on 19 April 2012.

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

*1. The Ordinary Shareholders' Meeting elects the Board of Statutory Auditors, consisting of three Regular Statutory Auditors and two Alternate Statutory Auditors, who remain in office for three financial periods, their terms expiring on the date of the Shareholders' Meeting convened to approve the financial statements for the third financial period of their office; they may be re-elected. All auditors must be listed in the Register of external auditors and auditing firms established by law and must have no fewer than three years' experience in professional practice as an official auditor. The auditors must furthermore possess the current legal and regulatory requirements, and the Board of Directors verifies the existence thereof.*

*2. Auditors are elected from lists presented by shareholders adopting the following procedure. The lists contain a number of progressively numbered candidates. Each list has two sections: one for candidates for the office of*

*Regular Statutory Auditor and one for candidates for the office of Alternate Statutory Auditor. Each candidate may appear in a single list, on pain of being unelectable. Each list must contain the name of at least one Regular Statutory Auditor and one Alternate Statutory Auditor.*

*3. Entitled to submit lists are those shareholders with voting rights that, alone or with other shareholders, represent at least the percentage of share capital, subscribed at the time the lists are submitted, laid down, referred to and published by Consob for the presentation of lists of candidates for electing the Board of Directors under the Issuer Regulations.*

*Ownership of the percentage of share capital is determined by referring to the shares that are recorded in the name of shareholders on the day that the list is filed with the Company, with reference to the share capital subscribed on that same date.*

*The pertinent attestation or certification may be communicated or produced even after the list is filed provided that it reaches the Company by the term provided for the publication of the list by the Company.*

*The percentage shareholding required in order to present lists of candidates for election as members of the Board of Statutory Auditors is specified in the notice of the Shareholders' Meeting that is called to deliberate the appointment of said Board.*

*Shareholders may neither present nor vote for more than one list, even through a third party or a trust company. Shareholders belonging to the same group - this being construed as the parent company, the subsidiaries and the companies under joint control - and shareholders that are parties to a shareholders' agreement in accordance with Article 122 of Legislative Decree 58/1998 regarding the issuer's shares may neither present nor vote for more than one list, even through a third party or a trust company.*

*4. Lists are deposited at the Company by the twenty-fifth day prior to the date of the Meeting called by first or only call in order to deliberate on the appointment of the members of the Board of Directors. They are made available to the public at the registered office, on the website and through other means provided for by the applicable regulatory provisions at least twenty-one days prior to the date of the Meeting.*

*The lists contain:*

*a) information regarding the identity of the shareholders presenting the lists, specifying the total percentage of equity they possess and an attestation or certification showing their title to their holding;*



(b) a declaration from the shareholders presenting the lists other than those that possess, even jointly, a controlling shareholding or a relative majority shareholding, stating the absence or the presence of any relations with the latter, as required in Article 144 quinquies, paragraph 1, of the Issuer Regulations;

(c) full information regarding the personal and professional characteristics of the candidates and declarations from the candidates themselves to the effect that they are in possession of the statutory requirements and the requirements laid down in these Articles of Association and that they agree to their candidature.

Persons in positions of governance and control to an extent higher than that laid down in the laws and regulations in force may not be elected as Statutory Auditors.

5. In the event that only one list has been deposited by the deadline of twenty-five days before the date set for the first or only call of the Shareholders' Meeting that is to decide on the appointment of the Statutory Auditors, or only lists presented by shareholders who are related to each other as per Article 144 quinquies of the Issuer Regulations, lists may be deposited up to the fourth day after this date, unless another inviolable deadline is required by the applicable legislative provisions in force from time to time. In this case the participation qualification specified in paragraph 3 above is reduced by half.

6. Lists presented that do not comply with the above provisions will not be voted.

7. Before opening the voting, the Chairman of the Shareholders' Meeting reports any declarations that have been made in accordance with paragraph (b) above and asks the participants attending the Meeting that have not deposited or joined in the depositing of lists to state any relations as defined above.

If a person that is related to one or more major shareholders has voted for a minority list, the existence of such a relationship is only relevant if the vote has been decisive in the election of a Statutory Auditor.

8. The procedure for the election of Statutory Auditors is as follows:

a) two Regular Statutory Auditors and one Alternate Statutory Auditor are chosen from the list that has obtained the greatest number of votes, based on the progressive order in which they are named in the sections of the list;

b) one Regular Statutory Auditor and one Alternate Statutory Auditor are chosen from the list that has obtained the second highest number of votes at the Shareholders' Meeting and that, in accordance with the provisions of current rules, including regulations, are not related, even indirectly, to the shareholders who presented or voted for the list that obtained the greatest number of votes, based on the progressive order in which they are named in the sections of the list. In the event that a number of lists obtain the same number of votes, a new round of voting takes place between these lists, electing the candidates of the list that obtains the simple majority of votes.

9. The first-placed candidate in the section containing the candidates for Regular Statutory Auditor of the list that obtained the second highest number of votes is chosen as the Chairman of the Board of Statutory Auditors.

10. If only one list is presented, the Shareholders' Meeting expresses its vote on the list and, if it obtains the majority required in accordance with Article 2368 ff. of the Italian Civil Code, the three candidates progressively numbered in the corresponding section are elected as Regular Statutory Auditors and the three candidates progressively numbered in the other section are elected as Alternate Statutory Auditors. The candidate in the first place in the list of candidates as Regular Statutory Auditors has the position of Chairman of the Board of Statutory Auditors.

11. If there are no lists, or if the number of candidates elected by means of the list mechanism is lower than the number of Statutory Auditors set by these Articles of Association, the Board of Statutory Auditors is, respectively, either appointed or completed by the Shareholders' Meeting by the statutory majorities.

12. If a number of lists have been presented, in the event of the replacement of a Statutory Auditor the successor must come from the same list as that of the his or her predecessor. If the Chairman is replaced, his or her successor also takes on the position of Chairman of the Board of Statutory Auditors.

When the Shareholders' Meeting is to appoint Regular Statutory Auditors and/or Alternate Statutory Auditors as necessary to re-integrate the Board of Statutory Auditors, it will proceed as follows. Should Statutory Auditors elected from the majority list need to be replaced, their successors are appointed by a relative majority without list constraints; on the other hand, if Statutory Auditors from a minority list are to be replaced, the Shareholders Meeting does so by a relative majority vote, choosing from among the candidates indicated in the list to which the Statutory Auditors to be replaced belonged or, as a second option, from among the candidates contained in any additional minority lists.

If there are no candidates in the minority list(s), the appointments are made by voting one or more lists, made up of a number of candidates not greater than those to be elected, presented prior to the meeting in compliance with the provisions laid down in this Article for the appointment of the Board of Statutory Auditors.

*Lists may not be presented (and if presented they are void) by major shareholders or the shareholders related to them, as defined by current legal and regulatory provisions. The candidates in the list that obtains the greatest number of votes will be elected.*

*If no lists are presented in compliance with the above, appointments are made by a majority vote without list constraints.*

*13. In any circumstances in which the Chairman is to be replaced, the incoming Statutory Auditor also takes on the office of Chairman of the Board of Statutory Auditors.*

*14. The Shareholders' Meeting determines the remuneration payable to the Statutory Auditors and the refund of the costs sustained in the performance of their duties.*

*15. The powers and duties of the Statutory Auditors are those established by law.*

*16. The meetings of the Board of Statutory Auditors may also be held by telecommunication, on the condition that all the participants may be identified and that such identification is recorded in the pertinent minutes and that they are permitted to follow the discussion and participate in real time in the discussions on the issues covered, exchanging documentation where necessary; in that case, the meeting of the Board of Statutory Auditors will be considered held in the place where the person presiding over the meeting is located.*

The current board of statutory auditors does not include any members nominated by minority shareholders in that no alternative list was presented at the aforementioned Shareholders' Meeting of 19 April 2012.

#### **INTERESTS OF STATUTORY AUDITORS**

Any member of the board of statutory auditors who, on their own behalf or on behalf of a third-party, has an interest in any transaction involving the company is obliged to promptly inform in detail of the other statutory auditors and the chairman of the board of directors about the nature, terms, origin and extent of his interest.

#### **EXTERNAL AUDITORS**

The shareholders' meeting of 27 April 2010 following the proposal expressed by the board of statutory auditors pursuant to art. 13, paragraph 1, of legislative decree N. 39/2010, approved to appoint, for the nine-year period 2010/2018, the auditing firm Deloitte & Touche SpA, to conduct a full audit of the company's consolidated financial statements and any additional activities referred to by art. of legislative decree N. 39/2010.

The Shareholders' Meeting of 27 April 2010 also appointed Deloitte & Touche to conduct a limited audit of the interim financial statements for the first half of each of the years from 2010 to 2018.

#### **RELATIONS WITH INSTITUTIONAL INVESTORS AND OTHER SHAREHOLDERS**

A specific corporate function, called Investor Relations, dedicated to managing relations with institutional investors and, in consultation with the Corporate Affairs and Legal Department, with shareholders in general.

Mondadori's Investor Relations manager is Dario Fumagalli, who can be contacted at the following e-mail address: [invrel@mondadori.it](mailto:invrel@mondadori.it).

The company has created a section - Investor Relations - on its website, [www.mondadori.it](http://www.mondadori.it), to provide information about the company of relevance to shareholders and investors in general.

## **TREATMENT OF CORPORATE INFORMATION**

A series of procedures are in place for the handling of corporate information, also in compliance with the company's organisation, management and control model, adopted by the board of directors pursuant to legislative decree N. 231/2001 and briefly outlined in the report.

### **MANAGEMENT AND COMMUNICATION TO THE MARKET OF PRIVILEGED INFORMATION**

In particular, the board of directors has approved a "Procedure for monitoring, internal circulation and public disclosure of privileged information as defined in art. 181, legislative decree N. 58/1998 ":

The procedure attributes the management of privileged information to the chief executive, who makes use of the Finance, Administration and Control Department, with a view to:

- regulating, on a reserved and need-to-know basis, the arrangements for the monitoring, management and internal distribution of documents and corporate information - with particular reference to insider dealing as outlined in art. 181, D. of legislative decree N. 58/1998 concerning Arnoldo Mondadori Editore SpA and its subsidiaries;
- regulating the mode of communication to the public, according to criteria of transparency, timeliness and non-selectivity, in accordance with applicable laws and regulations regarding privileged information.

The procedure, which was updated in 2006 in compliance with the terms of the European Directive on Market Abuse, also contains provisions for subsidiaries as laid out in art. 114, of legislative decree N. 58/1998 concerning information flows regarding Arnoldo Mondadori Editore SpA to enable it to provide timely market information about events and circumstances that qualify as sensitive information about the operating activities of subsidiary companies.

### **REGISTER OF PERSONS WITH ACCESS TO PRIVILEGED INFORMATION**

Related to the procedure described above the "Operational provisions for the management of lists of persons who have access to privileged information (the "Register ") established by the board of directors with effect from 1 April 2006, pursuant to art. 115 *bis* of legislative decree N. 58/1998.

The provisions govern: (i) the procedures for the identification, inclusion in the Register and any subsequent cancellation of persons who, on account of their work or profession or duties on behalf of the company or its subsidiaries, shall have access on a permanent or occasional basis to privileged information, (ii) the flow of information to be monitored by the function responsible for maintaining the Register and making all necessary inclusions and/or deletions, (iii) the manner in which information is provided to those on the Register and any necessary variations and cancellations, (iv) arrangements for the management and search of data contained in the Register, using information technology that ensures the traceability and storage of data according to the terms required by Issuers' Regulations.

## **INTERNAL DEALING**

Rules regarding internal dealing fall within Mondadori's procedures for managing and communicating documents and information about the company. They were adopted by the board of directors to be applicable as of 1 April 2006, in accordance with comma 7 of the Finance Consolidation Act.

Such rules govern the requirement to communicate to the company, Consob and the public any transactions of Mondadori shares - or other financial instruments related to them - involving members of the board of directors or the board of statutory auditors and other senior personnel such as managers with regular access to privileged information and the power to make decisions about the management of the company that could influence its development and future prospects.

The rules adopted by the board of directors: (i) identify the company managers that are obliged to make the information available as per para. 7 of the Finance Consolidation Act; (ii) provide these people with instructions about their being identified as insiders, about the requirements they must follow, and how and when they should make any legally-required disclosures; (iii) identify "Corporate Affairs" as the company function that receives, manages and announces these disclosures to the market.

## **BLACKOUT PERIODS**

As part of the internal dealing rules and with the aim of ensuring uniform behaviour, all those defined as insiders are barred from buying or selling financial instruments subject to the communication rules in the 30 days preceding board meetings called to examine annual results and the 15 days preceding board meetings to examine quarterly and half-yearly results until the information has been released to the market.

## SHAREHOLDERS' MEETINGS

With regard to the calling, operation, entitlement to attend and exercise voting rights at Shareholders' Meetings, reference is made to the following articles of the Articles of Association:

- art. 9 regarding the calling of Shareholders' Meetings:
  - posting on the company website of the notice of meeting, in line with current regulations;
  - prior warning of the calling and the inclusion on the agenda on the request of minority shareholders;
  - the right to attend and vote when expressly indicated in the calling.
- art. 11 regarding to the right to participate and the exercise of voting rights: the introduction of the principle of the so-called "Record date", whereby legitimacy is established by communication to the company made by intermediaries on the basis of the findings at the end of the seventh trading day before the date fixed for the meeting, making irrelevant to the legitimacy of the voting rights any changes made after this term. Such communication must be received by the company before the third day of trading on open markets prior to the date fixed for the Shareholders' Meeting, or beyond this term provided it is before the Meeting has begins.
- art. 12 regarding the use and notification of proxies, also via IT, to be determined in line with the Regulations of the Ministry of Justice pursuant to art. 135-*novies*, paragraph 6, of legislative decree N. 58/1998:
  - the possibility of electronic notification of proxies, as outlined in the calling, either by using the appropriate section of the company's website or by submitting the document by certified email;
  - an option for the board of directors to appoint a person for each meeting to act on behalf of shareholders with instructions to vote on all or some of the proposals on the agenda;
- art. 16 regarding the constitution and deliberations of Shareholders' Meetings:
  - the introduction of the option for the board of directors to take advantage of the single notice of the meeting, whether ordinary or extraordinary, in lieu of subsequent meetings, in line with the provisions of article. 2369 of the Civil Code, amended by art. 1 of legislative decree N. 27/2010;
  - the application of a quorum for the valid constitution and deliberations of the Meeting, in first or subsequent callings, and in the case of a single call.

The documentation regarding the agenda will be made available to the public, as prescribed by law, at the company's registered office, by NIS to Borsa Italiana SpA (the Italian Stock Exchange) and publication on the company's website.

The powers of ordinary and extraordinary meetings are determined as per current legislation.

As mentioned in Section III of this report, under the "Rules applicable to the amendment of the Articles of Association, provides, with reference to the provisions of Article. 2365 of the Civil Code, the power of the board of directors to take specific decisions on some matters, including some that may be in the power of the Shareholders' Meeting, without prejudice to the powers of the Shareholders' in such matters.

## MEETING REGULATIONS

The Shareholders' Meeting of 24 April 2001 resolved, in ordinary session, to adopt regulations for governing, among other things, the guarantee of the rights of each shareholder to speak on matters under discussion and ensuring the orderly and effective conduct of business by ensuring the efficiency of the decision-making process in the interests of all shareholders.

The regulations are available to shareholders at the company's registered office and at the places where the shareholders' meetings are held (as well as on the company's website [www.mondadori.it](http://www.mondadori.it) - Governance section).

It is also the practice of the board of directors to use the Shareholders' Meetings as an opportunity to report, in compliance with the rules on inside information, on the work completed, underway and planned.

## SECTION II MAIN CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS WITH REGARD TO FINANCIAL REPORTING

### *PREMISE*

The guidelines and focus of the internal control system have been defined by the board of directors, with the support of the internal control committee, to facilitate, through an appropriate process for identifying, measuring, managing and monitoring the principal risks facing the Group, the sound management of the company, that is fair and consistent with the its objectives.

In accordance with the provisions of art. 123-*bis*, paragraph 2, lett. b) of the consolidated finance law, the risk management system with regard to financial reporting is an integral part of the internal control system, providing a set of rules, procedures and organisational structures to ensure accountability, and the accuracy, reliability and timeliness of financial reporting.

As part of its financial reporting process, Mondadori as a listed company, has appointed an officer responsible for preparing the company's accounting documents to whom the law gives specific powers, responsibilities and obligations of certification or declaration.

In accordance with statutory requirements and the law, the executive responsible has determined, with the support of the chief executive and the board of directors, a control model of reference and outlined specific activities that involve different business functions inside the company, with the aim providing support it in the process of certification 262.

### **CONTROL MODEL OF REFERENCE**

In compliance with regulatory requirements, the executive responsible has adopted a universally recognised model of control - the COSO Report, Internal Control Integrated Framework - for the evaluation of the design and effectiveness of the internal control system for periodic financial and business reporting.

This reference model facilitates the evaluation of the adequacy of the internal control system, along three lines (objectives, scope and components), for each of which aspects have been selected that are considered relevant to the Group.

From the perspective of targets, the main focus is on "financial reporting", which has as its aim the timeliness and reliability of financial reporting.

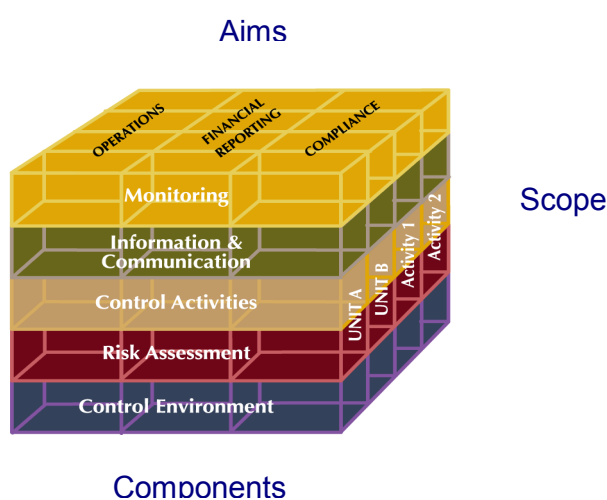
In this context, the aim of the internal control processes is to provide reasonable reassurance concerning:

- respect for the timing foreseen by the reference standards for the preparation of financial reporting;
- reliability of data, information and the process adopted for the preparation of financial reports.

In terms of scope, the model facilitates the assessment of the adequacy of the internal control system at different levels of the corporate organisation, including, for example, at group level, company, process, level etc.

From the point of view of the components that represent the elements against which the adequacy of the control system to achieve its goals is assessed, the focus is on:

- the “control environment” in which individuals and instruments have been identified, for the preparation, assessment and evaluation of the overall internal control system, and where the reliability of financial information is one of the objectives;
- "Risk Assessment", or the identification of negative events that may preclude the achievement of the objectives of reliability and timeliness for financial reporting and risk assessment related to such events;
- "Control Activities", i.e. the activities and types of control aimed at reducing previously identified and evaluated risks. The control system will be adjusted to the extent that the risks are covered by specific responses to risk and control measures. Risk assessment and the identification of control activities was carried out through the mapping of administrative and accounting procedures and an assessment of their adequacy;
- "Monitoring" includes regular activities aimed at verifying:
  - the effective application of procedures and in particular those of the control activities;
  - the updating of procedures and, in particular, those of the control activities;
- “Information and communication” provides for the provision of adequate information flows between stakeholders in the system of internal control. In this case, such flows include:
  - communication of the procedures to stakeholders;
  - exchange of information between parties with a role in the model of corporate governance;
  - reporting on the progress of any activities for improvement of the control system;
  - reporting on any identified anomalies in the monitoring activities identified in subsequent sections of this document.





## CHARACTERISTIC ELEMENTS OF THE CONTROL MODEL

The executive responsible works in conjunction with corporate governance bodies, first level corporate functions and the companies included in the scope of consolidation in order to collate information on the activities that have an impact on the Group's economic, assets and financial situation.

In its application, the control model interfaces with the managers of the administrative processes and internal audit structures.

In particular:

- the administrative processes, which mainly assist in the preparation of documentation for the analysis and assessment of the adequacy of administrative and accounting procedures;
- the Internal Audit structure, assists in the verification of the effective application of such procedures.

Mondadori's control model foresees the following steps, which were updated and involved specific activities in the period:

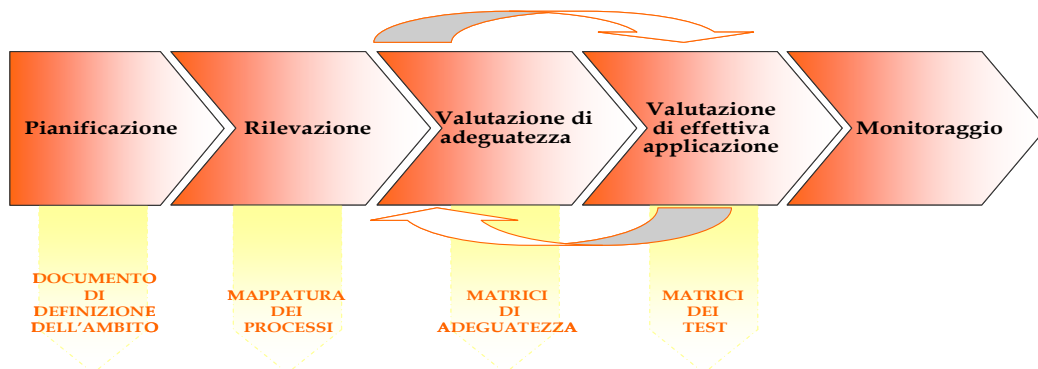
Planning,

Recording,

Evaluation of adequacy,

Assessment of effective implementation,

Definition and monitoring of corrective actions.



### PLANNING

Mondadori has updated the scope of analysis in its "Definition of scope document" to include the Group's wholly-consolidated subsidiaries.

In particular:

- a materiality threshold of the accounting items has been determined;
- a quantitative and qualitative "risk assessment" carried out on accounting entries per division;
- an overall assessment was carried out - for each business division - of the relevance of individual accounting items to determine the scope of analysis;
- processes were identified, in and matched by division, for the accounting items included in the scope;
- an overall assessment of risk (high, medium, low) was then made for each process and each business division.

#### RECORDING

Processes and procedures in relevant areas have been mapped, highlighting key control activities to cover identified risks related to financial information. This was done in collaboration with the managers of individual processes.

The mapping was made by creating flowcharts that describe activities, support tools, roles and responsibilities.

#### EVALUATION OF ADEQUACY

The adequacy of processes and procedures has been documented through the evaluation of key control activities, related to identified risks, using appropriate adequacy metrics.

The results of evaluations are shared with the managers of individual processes. If controls are not deemed adequate corrective action is taken.

#### ASSESSMENT OF EFFECTIVE IMPLEMENTATION

The activities of the internal audit function in the assessment of the effective application of key controls is conducted in relation to the processes mapped. The test results are the subject of specific reports addressed to the executive responsible, which are then used to update the process documentation and initiate corrective action.

#### MONITORING

The monitoring of the control model has been completed with the:

- creation of communication flows with the representatives of the processes to identify any changes in activities using process certification profiles;
- documentation of the updating process (flow chart and adequacy metrics);
- definition and initiation of corrective actions designed to align key controls deemed inadequate;
- preparation of documentation for certification by Group companies included in the scope of analysis;
- provision of information flows to the control bodies.

## SECTION III INFORMATION ON THE SHAREHOLDER STRUCTURE

### SHAREHOLDER STRUCTURE AND THE COMPOSITION AND RELATED SHARE RIGHTS

On the date of this report, the fully paid up share capital of Arnoldo Mondadori Editore SpA, amounted €64,079,168.40 divided into 246,458,340 ordinary shares with a par value of €0.26 each.

The shares are issued by the central depository and in book-entry form and are traded on the automated market organised and managed by Borsa Italian SpA.

Shares are registered, indivisible and freely transferable, and include the right to vote at the company's ordinary and extraordinary Shareholders' Meetings in accordance with current legislation and the Articles of Association and provide additional administrative and financial rights as foreseen by law for shares with voting rights.

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

No other securities are issued which confer the right to subscribe to new shares.

### RESTRICTIONS ON THE TRANSFER OF SHARES

There are no restrictions on the transfer or limitations on the holding of shares or terms of approval by the company or other holders of securities regarding the transfer of shares.

### SIGNIFICANT HOLDINGS

Significant investments in excess of 2% of the shares held directly or indirectly, according to the shareholder register, the notifications received pursuant to art. 120, of legislative decree N. 58/1998 and other available information, are outlined below:

Shareholder	n. of shares held	% of share capital
Silvio Berlusconi (indirectly through Fininvest SpA)	130,773,658	53.061
Silchester International Investors LLP <sup>(i)</sup>	32,832,869	13.321
<sup>(i)</sup> shares held in "asset management" portfolios		

It should be noted that during the year the investment held by Tweedy Browne Company LLC as an asset under management was reduced, as communicated pursuant to art. 120 of Legislative Decree 58/1998, from the previous 5.14% to 1.91%, which is below the 2% threshold.

In 2012, there was a reduction of the market capitalisation of the shares of the company of around 17.9%.

### **SPECIAL CONTROL RIGHTS**

No shares have been issued with special rights of control.

### **EXERCISE OF VOTING RIGHTS REGARDING THE EMPLOYEE SHARE OWNERSHIP SCHEME**

There is no specific mechanism for the exercise of voting rights applicable to the system of employee share ownership.

The voting rights attaching to shares deriving from the exercise of stock options under the Stock Option Plan (described in Section I of this report) are not subject to any form of restriction and may be exercised directly by the beneficiaries.

### **RESTRICTIONS ON VOTING RIGHTS**

There are no restrictions on the exercise of voting rights.

### **AGREEMENTS PURSUANT TO ART. 122 OF LEGISLATIVE DECREE N. 58/1998.**

The board of directors is not aware of the existence of shareholder agreements, pursuant to art. 122 of legislative decree N. 58/1998, concerning the exercise of rights attached to the shares or the transfer of same.

### **SIGNIFICANT AGREEMENTS SUBJECT TO MODIFICATION OR TERMINATION IN THE EVENT OF A CHANGE OF CONTROL**

There are no significant agreements to which the company or its subsidiaries are party and which could become effective, be modified or terminated in the event of a change of control of the company.

### **AGREEMENTS ON DIRECTORS COMPENSATION**

There are no agreements between the company and the directors that foresee compensation in the event of resignation or dismissal without just cause or in the case of a termination of employment resulting from an eventual takeover bid.

Severance indemnities are exclusively determined on the basis of the costs deriving from the application of current legislation and the terms of the collective contracts of reference.

### **RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS**

With regard to the rules governing the appointment, by the voting list system, and replacement of directors, reference is made to Section I of this report under "Appointments procedures" and the provisions of article. 17 of the Articles of Association.

### **RULES GOVERNING AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Amendments to the Articles of Association may only be resolved by an Extraordinary Shareholders' Meeting, under the provisions of art. 16 of the Articles of Association for the constitution and resolutions of an Extraordinary Shareholders' Meeting, both in first and subsequent callings, or in the case of a single call, in line with current legislation.

With reference to art. 2365 of the Civil Code and pursuant to art. 23 of the Articles of Association, the board of directors has the power to adopt resolutions concerning the merger, as foreseen by art. 2505 of the Civil Code, the opening or closing of branch offices, an indication of which of the directors represent the company, the reduction of the share capital in the case of withdrawal of shareholders, amendments to the Articles of Association in compliance with regulatory changes and the issue of non-convertible bonds within the terms of art. 2412 of the Civil Code and in any event up to a maximum of €400,000,000, provided that any issue beyond this limit remains subject to the approval of a Extraordinary Shareholders' Meeting. Shareholders are also exclusively responsible for the authorization of the issue of bonds with warrants for the subscription of company shares.

#### **POWERS FOR CAPITAL INCREASE AND THE ISSUE OF BONDS PURSUANT TO ARTICLES 2443 AND 2420 TER OF THE CIVIL CODE**

The Extraordinary Shareholders' Meeting of 29 April 2009 resolved:

- a) to grant, pursuant to art. 2443 of the Civil Code, to the board of directors the faculty to increase, on one or more occasions, the share capital, within a period of five years from the date of the resolution, up to a maximum nominal amount of €78 million by issuing shares with the faculty of the directors to determine, from time to time, the issue price, including a share price premium, the fruition and eventual destination of the capital increase to service the conversion of bonds. also issued by third parties, both in Italy and abroad, or warrants;
- b) within the limits referred to in article. 23, paragraph 2, of the Articles of Association, the jurisdiction of the board of directors as per article. 2410 of the Civil Code regarding the issue of convertible debentures, to grant the board, pursuant to art. 2420 *ter* of the Civil Code, the power to issue, on one or more occasions, convertible bonds with the correlated increase in share capital, within a period of five years from the date of the resolution, for an amount that, in view of the bonds in circulation on the date of the resolution of each issue, does not exceed legal limits, or, in any case, does not exceed a maximum nominal amount of €260 million, which determine the procedures, terms, conditions and related regulations.

The attribution to the board of the faculty to increase the share capital does not provide for exclusion of option rights.

#### **AUTHORISATION TO BUY BACK COMPANY SHARES**

The Shareholders' Meeting of 19 April 2012, following the expiry of the previous authorisation of the Shareholders' Meeting of 21 April 2011, agreed, pursuant to art. 2357 of the Civil Code, in order to take advantage, where and when considered strategic for the company, of investment opportunities, to renew authorisation for the buy back of company shares. The Shareholders' also authorised, in line with the motivations indicated below, how shares acquired or already in the portfolio might be used.

What follows is an outline of the buy-back programme authorised by the Shareholders:

1. Aims and underlying motivation

- ✓ use company shares, either bought or in the portfolio, as part or whole payment in any eventual acquisitions or equity investments that fall within the company's stated investment policy;
- ✓ use company shares, either bought or in the portfolio, for the exercise of rights, including conversion rights, deriving from financial instruments issued by the company, its subsidiaries or third parties;
- ✓ to take advantage, where deemed strategic for the company, of investment opportunities, also in the light of available liquidity,
- ✓ use company shares for the exercise of options for the purchase of shares assigned to participants in the stock option plans put in place by the shareholders.

## 2. Cap on the number of shares that may be bought

The authorisation applies to the acquisition (in addition to the shares already held directly or indirectly) of an additional maximum of 11,090,625 ordinary shares with a par value of €0.26.

The maximum number of additional shares that may be bought allows the company to reach a maximum of 10% of the share capital, which takes account of the total of 13,555,209 shares already held (of which 9,037,723 are held directly and a further 4,517,486 shares are held by the subsidiary Mondadori International SpA).

## 3. Method of acquisition and the price range

Buy backs are effected on regulated markets as per art. 144 bis, para. 1, B of Consob regulation 11971/99 according to operating procedures established by the regulations for the organisation and management of the markets themselves, which, does not permit the direct combination of offers to buy with predetermined offers to sell.

The corresponding minimum and maximum price of sale will therefore be determined at the same conditions that applied to previous authorisations agreed by the Shareholders, i.e. at a unit price not less than the official market price on the day prior to any operation, less 20%, and not more than the official market price on the day prior to any operation, plus 10%.

In terms of price and daily volumes, acquisition operations will in any case be conducted in line with the norms foreseen by the EU regulation 2273/2003, in particular:

- the company will not buy shares at a price greater than the highest price of the last independent operation and the price of the highest current independent offer on the regulated market where the acquisition is made.
- in terms of daily volumes, the company will not purchase a quantity greater than 25% of the average daily volume of Mondadori shares traded on the regulated market and calculated on the basis of the average daily volume of trading of Mondadori shares in the 20 trading days prior to the dates of purchase.

With regard to Art. 2357, para. 1. of the Civil Code, acquisitions must in any case be made within the limits of the share price premium reserve, as indicated in the most recently approved financial statements.

#### 4. Duration

This authorisation will remain valid until the approval of the Annual Report for the year to 31 December 2012, and in any case for a period of not more than 18 months from the date of the shareholders' approval.

#### **BUY-BACKS MADE DURING THE YEAR**

During 2012 - in the period between 19 March and 15 June - Arnoldo Mondadori Editore SpA acquired on the automated stock market, as specified by the shareholders, a total of 2,630,583 shares.

With regard to the shares held as treasury stock, the company did not make any use of such shares and its subsidiaries have not made any acquisitions or dispositions.

As of 31 December 2012 the total number of treasury shares held amounted to 14,953,500 (6.067% of the share capital) of which 10,436,014 directly held by Arnoldo Mondadori Editore SpA and 4,517,486 held by the subsidiary Mondadori International SpA

At the date of approval of this report the total number of shares held was unchanged from the situation at 31 December 2012.

#### **PROVISIONS APPLICABLE TO THE RUNNING OF SHAREHOLDERS' MEETINGS**

The calling, constitutive and deliberative quorums and the operation of shareholders' meetings are governed by Chapter III of the Articles of Association (Shareholders' Meetings) available on the company website: [www.mondadori.it](http://www.mondadori.it) - Governance section.

Reference is also made to Section I of this report.

#### **CHANGES SINCE THE END OF THE PERIOD**

##### **Changes in the composition of the Board of Directors**

During 2013, the board of directors, as previously communicated to the market, co-opted as directors, with resolutions approved by the Board of Statutory Auditors, pursuant to art. 2386. of the Civil Code and having verified good reputation and eligibility foreseen by law for newly appointed directors:

- on 28 February, Danilo Pellegrino, replacing the outgoing Roberto Briglia;  
The board acknowledged that Danilo Pellegrino is classified as a non-executive director given that he does not hold management positions or powers within the company.
- on 20 March, Ernesto Mauri, replacing Maurizio Costa who resigned from the office of deputy chairman, chief executive and director.

The board, accordingly, attributed to Ernesto Mauri the position of chief executive.

The profiles of the directors appointed are available at [www.mondadori.it](http://www.mondadori.it) - Governance Section

In accordance with the provisions of Article 2386. of the Civil Code. directors appointed by co-option shall remain in office until the next General Meeting, i.e. until the Shareholders' Meeting convened for 23 April 2013 (24 April on second call).

The Shareholders will therefore be called upon to approve the resolutions referred to in Item 1 of the agenda of the ordinary general meeting, as indicated in the notice of the meeting and the directors' report, available at [www. Mondadori.it](http://www.Mondadori.it) - Governance Section

At the date of approval of this Report, the board of directors, subject to the indications above regarding the qualification of executive, non-executive and independent directors, is consequently made up as follows:

Marina Berlusconi, *Chairman*

Ernesto Mauri, *Chief executive*

Carlo Maria Vismara

Piersilvio Berlusconi

Pasquale Cannatelli

Bruno Ermolli

Martina Mondadori

Danilo Pellegrino

Roberto Poli

Mario Resca

Angelo Renoldi

Cristina Rossello

Carlo Sangalli

Marco Spadaccini

#### **Proposal for amendments to the Articles of Association relating to appointments to the Board of Directors and Board of Statutory Auditors**

On 20 March 2013, the board of directors resolved to submit for the approval of the AGM of 23/24 April 2013, convened in extraordinary session, amendments to the Articles of Association to comply with the provisions of Law n. 120 of 12 July 2011 concerning equal access to administrative boards and control bodies of listed companies.

This legislation, which came into force on 12 August 2011 and is applicable from the first renewal of the corporate boards and control bodies after one year from the date of the entry into force of the legislation itself, introduced the principle of gender equality in terms access to the boards and control bodies of companies listed on regulated markets.

In application of the new rules, at least one third of the members of the boards or bodies of such companies must be from "the less represented gender." For the first mandate in which the law is applied, the possibility is however foreseen that the share may be least one-fifth.

With regard to Arnoldo Mondadori Editore S.p.A. Law 120/2011 will be first applied with the renewal of the corporate boards to be made following the approval by the Shareholders of the financial statements at 31 December 2014, which will, in any case, show that the current board of directors already includes one-fifth of the "less represented gender".

The implementation of the provisions described involves the adoption of the amendments to Articles 17 and 27 of the Articles of Association, concerning the procedures for appointment, by means of a voting list system, respectively, of the board of directors and the board of statutory auditors. In particular, the composition of the lists and allocation of the votes is expected to ensure the composition of the boards and bodies described comply fully with the provisions of the law.



For details of the proposed amendments, please refer to the directors' report published pursuant to art .125-*ter* of Legislative Decree 58/1998 and available at [www.mondadori.it](http://www.mondadori.it) - Governance Section.

## SECTION IV SUMMARY TABLES

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS									Internal Control & Risk Management Committee		Remuneration & Appointments Committee		Executive Committee (a)	
Office	Members	In office		List (M/m)*	executive	non-executive	Independence	% Attendance**	Other offices held***	****	% Attendance**	****		% Attendance**
		from	to (1)											
Chairman	Berlusconi Marina	19/04/2012	31/12/2014	M	X			100,00	3					
Deputy chairman & chief executive	Costa Maurizio	19/04/2012	31/12/2014	M	X			100,00	2					
Director	Berlusconi Piersilvio	19/04/2012	31/12/2014	M		X		0	6					
Director	Briglia Roberto	19/04/2012	28/02/2013	M	X			83,33	1					
Director	Cannatelli Pasquale	19/04/2012	31/12/2014	M		X		100,00	4					
Director	Ermolli Bruno	19/04/2012	31/12/2014	M		X		83,33	5			X	100,00	
Director	Mondadori Martina	19/04/2012	31/12/2014	M		X	X	50,00						
Director	Poli Roberto	19/04/2012	31/12/2014	M		X		100,00	6					
Director	Renoldi Angelo	19/04/2012	31/12/2014	M		X	X	100,00	2	X	100,00			
Director	Resca Mario	19/04/2012	31/12/2014	M		X	X	100,00	1	X	100,00			
Director	Rossello Cristina	19/04/2012	31/12/2014	M		X	X	100,00	3					
Director	Sangalli Carlo	19/04/2012	31/12/2014	M		X	X	50,00	2			X	100,00	
Director	Spadacini Marco	19/04/2012	31/12/2014	M		X	X	83,33	8	X	100,00	X	100,00	
Director	Vismara Carlo Maria	19/04/2012	31/12/2014	M	X			100,00	2					
DIRECTORS RESIGNED DURING THE PERIOD														
Director	Veronesi Umberto	29/04/2009	19/04/2012	M		X	X	0						
Quorum required for the presentation of voting lists for the latest appointment: 2.5%				Stake applicable for the presentation of lists, in line with Consob resolution n. 18083 of 22 January 2012										
Number of meetings held in the period		Board of Directors: 6				Internal Control & Risk Management Committee: 6				Remuneration & Appointments Committee: 2				

### NOTES

- (1) until the AGM for the approval of the Annual Report for the year to 31 December 2014.
- \* M/m indicates whether the member was appointed by a list voted by a majority (M) or minority (m).
- \*\* indicates the percentage attendance of directors at meetings of the board and the committees respectively (attendance/n. of meetings held during the period in office).
- \*\*\* indicates the number of offices held by directors in other listed companies, also outside Italy, in financial, banking or insurance companies, or other companies of significant size. Such offices are indicated in full in this report.
- \*\*\*\* an "X" indicates a director is a member of a Committee.
- (a) the company does not currently have an Executive Committee.

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

BOARD OF STATUTORY AUDITORS							
Office	Members	In office		List (M/m) *	Independence	% Attendance **	Number of offices held ***
		from	to <sup>(1)</sup>				
Chairman	Superti Furga Ferdinando	19/04/2012	31/12/2014	M	X	100,00	12
Standing auditor	Giampaolo Francesco Antonio	19/04/2012	31/12/2014	M	X	100,00	28
Standing auditor	Papa Franco Carlo	19/04/2012	31/12/2014	M	X	100,00	10
Substitute auditor	Ezio Simonelli	19/04/2012	31/12/2014	M		---	
Substitute auditor	Vittadini Francesco	19/04/2012	31/12/2014	M		---	
STATUTORY AUDITORS RESIGNED DURING THE PERIOD							
Quorum required for the presentation of voting lists for the latest appointment: 2.5%				Stake applicable for the presentation of lists, in line with Consob resolution n. 16779 of 22 January 2012			
Number of meetings held in the period: 11							

NOTES

<sup>(1)</sup> until the AGM for the approval of the Annual Report for the year to 31 December 2014.

\* M/m indicates whether the member was appointed by a list voted by a majority (M) or minority (m).

\*\* in indicates the percentage attendance of statutory auditors at meetings of the statutory auditors and the committees respectively (attendance/n. of meetings held during the period in office).

\*\*\* indicates the number of offices held as director or statutory auditor by subjects deemed relevant under article 148 *bis* of the Single Finance Act. A complete list of offices held is published on the company's web site, in compliance with art. 144-*quinquiesdecies* of the Conson Issuers' Regulations. Such offices held in other listed companies are indicated in full in this report.

**TABLE 3: SHAREHOLDER STRUCTURE**

SHARE CAPITAL STRUCTURE				
	N° of shares	%	Listed (markets)	Rights & obligations
Ordinary shares	246,458,340 *	100	MTA	**
Shares with limited voting rights	----	----	----	----
Shares without voting rights	----	----	----	----

\* as of the date of this report, the company held, directly or indirectly, a total of 14,953,500 shares for which, as per current legislation, voting rights are suspended.  
\*\* see Section III of this Report, Share Capital Structure and associated rights.

SIGNIFICANT HOLDINGS			
	Direct shareholder	% of ordinary share capital	% voting rights
Silvio Berlusconi	Fininvest SpA	53.061	53.061
Silchester International Investors LLP *	Silchester International Investors LLP (as the asset manager, among others, of the Silchester International Investors International Value Equity Trust which holds 5.95% and Silchester International Investors International Value Equity Group Trust which holds 3.23%)	13.321	13.321

\* stake held in asset management portfolio"

**Arnoldo Mondadori Editore SpA**

Via Bianca di Savoia 12

Share capital €64,079,168.40 (fully paid up)

Registered as a company in Milan 07012130584

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