

**CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
REPORT**

pursuant to Article 123-*bis* of the Consolidated Finance Act

Issuer: **Caltagirone Editore S.p.A.**
Website: www.caltagironeeditore.com

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GLOSSARY

Code/2015 Self-Governance Code: the Self-Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria.

Civ. cod/ c.c.: the Italian civil code.

Board: The Board of Directors of Caltagirone Editore S.p.A..

Issuer: Caltagirone Editore S.p.A.

Year: 2017

Consob Issuers' Regulation: the Regulation issued by Consob Resolution No. 11971 of 1999 (as subsequently amended).

Consob Market Regulation: the Market Regulations issued by Consob Resolution No. 20249.

Consob Related Parties Regulation: the Issuer Regulations following Consob Resolution No. 17721 of March 12, 2010 (as subsequently amended) in relation to related parties.

Report: the corporate governance and ownership structure report which the company must prepare as per Art. 123-bis CFA.

Consolidated Finance Act/CFA: Legislative Decree No. 58 of February 24, 1998.

1. ISSUER PROFILE

Caltagirone Editore S.p.A. operates as a “holding” company with investments in the publishing (daily newspapers and free press), advertising, telecommunications and internet sectors.

The present report illustrates the corporate governance adopted by the Issuer. This system is based on the needs of a holding company and is based, therefore, on the systems of controls of the activities of the companies in which it is present through the operating subsidiaries of the Issuer.

The system is therefore centred on: (i) the central role of the Board of the Issuer in strategic direction; (ii) the transparency of the operational decisions; (iii) the effectiveness of the internal control which is undertaken through the existing control structure within the individual operating units and the individual subsidiaries and the supervision of the Control and Risks Committee appointed by the Board.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (as per Article 123-bis, paragraph 1, CFA)

at 31/12/2017

a) Shareholders (as per Article 123-bis, paragraph 1, letter a), CFA)

Subscribed and paid-in share capital of Caltagirone Editore at December 31, 2017: Euro 125,000,000.00.

Classes of shares that make up the share capital: Ordinary Shares with voting rights. (See Table 1 of the appendix)

Other financial instruments which attribute the right to subscribe to newly issued shares were not issued.

No share incentive plans have been introduced which resulted in an increase, including free, of the share capital.

b) Restriction on the transfer of shares (as per Article 123-bis, paragraph 1, letter b), CFA)

There are no restrictions on the transfer of securities.

c) Significant holdings (as per Article 123-bis, paragraph 1, letter c), CFA)

The shareholders with holdings above 3% of the share capital, as per the shareholder registry, the communications received in accordance with article 120 of the CFA and the other information available are reported in Table 1 of the appendix.

d) Shares which confer special rights (as per Article 123-bis, paragraph 1, letter d), CFA)

There are no securities which confer special control rights.

No special powers have been attributed to specific roles.

e) voting mechanism (as per Article 123-bis, paragraph 1, letter f), CFA)

No system of share participation has been created for employees, and therefore there is no particular mechanism for the exercise of voting rights by these latter.

f) Voting restrictions (as per Article 123-bis, paragraph 1, letter f), CFA)

There are no restrictions on voting rights.

g) Shareholder agreements (as per Article 123-bis, paragraph 1, letter g), CFA)

There are no shareholding agreements between shareholders pursuant to article 122 of the Consolidated Finance Act relating to the exercise of rights of shares or the transfer thereof.

h) Change of control clause (as per Article 123-bis, paragraph 1, letter h), CFA) and statutory provisions on takeovers (as per Article 104, paragraph 1-ter and 104-bis, paragraph 1).

The Issuer and its subsidiaries have not signed significant agreements that are effective, or could be modified or void in the case of a change in control of the contracting company.

The Company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 2 of the CFA, nor the application of the neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the CFA.

i) Power to increase the Share Capital and authorisation to purchase treasury shares (as per Article 123-bis, paragraph 1, letter m), CFA)

The Board does not have the power to increase the Share Capital or to issue financial instruments.

The Shareholders' Meeting of April 12, 2017, following revocation of the resolution of April 19, 2016, authorised the Board of Directors to purchase and sell ordinary Company shares, in accordance with Article 2357 of the Civil Code, with the faculty to create the so-called "Securities Reserve" to be used for operations of interest to the Company, in compliance with that established by the applicable regulation. The authorisation granted by the Shareholders' Meeting establishes that the purchase of ordinary Company shares, taking account of treasury shares already held, is not greater than 3% of the share capital and therefore 3,750,000 shares with a further restriction that the amount of shares to be purchased does not exceed Euro 5,000,000.

The authorisation for purchase operations has a duration of 18 months from the resolution date, while the authorisation to utilise treasury shares acquired is without time limit.

In execution of the Shareholders' Meeting authorisation for the purchase of treasury shares, the Board of Directors of the Company introduced the relative treasury share buy-back program on the MTA segment of Borsa Italiana S.p.A..

The Board of Directors on November 13, 2017 suspended the Mercato Azionario Telematico treasury share buyback programme and in compliance with market practice and the applicable regulation approved the launch from November 15, 2017 of a treasury share sales programme for a maximum 400,000 treasury shares. At December 31, 2017, the Company held a total of 2,303,799 treasury shares in portfolio (equal to 1.843%).

l) Direction and co-ordination activities (as per Article 2497 and subsequent of the Civil Code)

The company is not subject to management and co-ordination pursuant to Art. 2497 and subsequent of the Civil Code.

m) Director indemnity in the case of dismissal without just cause (in accordance with Article 123-bis, paragraph 1, letter i) of the CFA)

As indicated in the Directors' Remuneration Report (published pursuant to Article 123-ter of the TUF), the Company has not signed agreements with any Directors which provide indemnity in the case of resignation, dismissal, revocation of office without just cause or termination following a public purchase offer.

n) Appointment and replacement of Directors (as per article 123-bis, paragraph 1, letter l), CFA)

The information required by Article 123-bis, paragraph 1, letter l) CFA) relating to the applicable regulations concerning the appointment and replacement of directors, in addition to the amendment of the by-laws if differing from applicable law and regulations is illustrated in the Board of Directors section (Section 4.1).

3. COMPLIANCE (as per Article 123-bis, paragraph 2, letter a), CFA)

The Issuer, although ensuring maximum market transparency, decided not to formally adopt the Self-Governance Code for listed companies and approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., while in line however with its optional nature as per point I) of the Code guidelines and considering, in addition, that the Issuer is merely a holding company with a basic structure.

The Issuer, nor its strategic subsidiaries, are subject to laws in force outside Italy which affect the corporate governance structures of the Issuer.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (ex Article 123-bis, paragraph 1, letter l), CFA)

The Directors are appointed by the Shareholders' Meeting on the direct proposal of the Shareholders based on the provisions of the By-Laws and legislation in force. The appointment of the Directors is made through the voting of slates of candidates, which are listed by progressive numbering. The slates indicate

the candidates who are independent in accordance with the law, contain the legally required number of independent directors and are presented together with the curriculum vitae of the candidates which illustrate their professional and personal characteristics and their acceptance of the candidature. Each slate cannot contain more than fifteen candidates.

Slates presenting a number of candidates equal to or above three must include a number of candidates from the under-represented gender which ensures compliance with the applicable legal and regulatory gender quota.

The slates of candidates must be filed at the registered offices of the company and made available in accordance with the provisions required by law.

A 2% holding in the share capital is necessary to present a slate - or any lower threshold established by Consob in accordance with regulations in force.

For the inclusion of the Directors to be elected, consideration is not taken of the slates which have not obtained at least half of the votes for the presentation of the slate. The first candidate on the minority slate which obtains the largest number of votes and which is not related in any manner, even indirectly, with the slate which has the highest number of votes, is elected Director; the other members of the Board of Directors are taken in a progressive order from the slate which obtained the highest number of votes. Where the result of voting does not satisfy the applicable gender equality laws and regulations, the first listed candidate belonging to the under-represented gender replaces the last selected member on the slate which has received the highest number of votes. Where the gender balance quota has not been met through this method, the Shareholders' Meeting votes by statutory majority. In the event of the presentation of only one slate or in the case where only one slate receives votes, all the candidates will be taken from the same slate, providing the gender equality minimum thresholds required by the applicable regulations and law have been met. For the appointment of Directors other than the renewal of the entire Board of Directors, the shareholders' meeting deliberates with statutory majority and without taking into consideration the procedures outlined above, while ensuring gender balance.

Should one or more vacancies occur on the Board, they shall be filled in accordance with article 2386 of the Civil Code, while ensuring gender balance.

4.2. COMPOSITION (as per Article 123-bis, paragraph 2, letter h), cfa)

Pursuant to Article 14 of the Company By-Laws, the Issuer may be governed by a Board composed of between 3 and 15 members, appointed by the ordinary Shareholders' Meeting, which determines the number of board members. The Directors are elected for a period not greater than three years and until the date of the Shareholders' Meeting for the approval of the Annual Accounts for the last year of their appointment.

The Shareholders' Meeting of April 22, 2015 established the number of Board members as 10 and appointed as Directors, with the favourable vote of 100.00% of the share capital present, based on a single slate presented by the shareholder Parted 1982 SpA, holder of 44,454,550 shares, comprising 35.564% of the share capital: Francesco Gaetano Caltagirone, Gaetano Caltagirone, Alessandro Caltagirone, Azzurra Caltagirone, Francesco Caltagirone, Tatiana Caltagirone, Massimo Confortini, Mario Delfini, Albino Majore and Giampietro Nattino.

The Directors will remain in office until the Shareholders' Meeting that will be called to approve the financial statements for the year ended December 31, 2017.

Following the passing of Mr. Gaetano Caltagirone and the retirement of Mr. Giampietro (Independent Director), the Shareholders' Meeting of April 12, 2017 reduced the number of directors from 10 to 9, supplementing the Board by appointing Mr. Nattino Antonio Catricalà.

In addition, following the communication in accordance with Article 102, paragraph 1 of Legislative Decree 58/1998 by Chiara Finanziaria S.r.l. on June 9, 2017, the Directors Francesco Gaetano Caltagirone, Alessandro Caltagirone, Azzurra Caltagirone and Francesco Caltagirone resigned, for reasons of expediency, from the Board of Directors.

The Board on June 13, 2017 co-opted as directors Messrs.: Francesco Gianni, Giancarlo Cremonesi, Massimo Lapucci and Valeria Ninfadoro.

The company is currently therefore governed by a Board of Directors comprising 9 members.

Messrs. Francesco Gianni, Antonio Catricalà, Massimo Confortini, Giancarlo Cremonesi, Massimo Lapucci and Valeria Ninfadoro in declaring their independence committed to communicate in a timely manner any event or circumstance which would alter the information provided. For the personal and professional characteristics of each director, reference should be made to the curriculum vitae available

on the Company website (www.caltagironeeditore.com), in the section Governance/Corporate Governance 2017.

The Issuer adopted from November 11, 2013 gender equality policies with regards to the make up of the Board of Directors, in compliance with Law No. 120 of 2011 and Article 14 of the By-Laws.

For the composition of the Board at December 31, 2017, reference should be made to Table 2 as no changes have been made since that date.

Maximum number of offices held in other companies

The Board of the Issuer has not drawn up strict and general criteria regarding the maximum number of appointments in other companies that can be considered compatible with an effective conduct of the role of director, considering that this evaluation is that of the Shareholders and subsequently of the individual directors on accepting the office.

4.3. ROLE OF THE BOARD OF DIRECTORS (as per Article 123-bis, paragraph 2, letter d), CFA)

The Board of Directors normally meet at least four times per year, however the Board is convened whenever necessary and in a timely manner.

In 2017, the Board of Directors held 11 meetings in the year, at which the Directors and the Board of Statutory Auditors attended regularly.

The average duration of the Board meetings in 2017 was one hour.

For the current year at least four meetings are planned. In 2018, the Board of Directors met on March 12 2018.

It is noted that the by-laws do not specify a minimum number of meetings for the Board of Directors.

Article 19 of the By-Laws confers to the Board of Directors the widest powers of ordinary and extraordinary administration of the Company and it may therefore carry out any and all acts it deems appropriate for attaining the corporate objectives, with the sole exclusion of those attributed by law or the By-Laws to the Shareholders' Meeting.

The Board of Directors may also pass resolutions in relation to: the incorporation or spin-off of the company, in cases in accordance with law; the opening and closing of secondary offices; the appointment of directors as company representatives; the reduction of the share capital in the case of withdrawal of the shareholders; the transfer of the registered office within the national territory, the amendment of the By-Laws in accordance with law.

The Board of Directors are responsible for operational activities and organisational and strategic direction, as well as the verification of the existence of the necessary controls to monitor the performance of the Issuer and the Group. The Board meets on a regular basis and is organised and operates in a manner which guarantees an effective and efficient performance of its functions.

Based on the powers conferred by the By-Laws, the Board:

- a) examines and approves the corporate governance system of the Issuer and the structure of the Group;
- b) evaluates, through the Control and Risks Committee, the adequacy of the organisational, administration and general accounting system of the Issuer, with particular reference to the internal control system and to the management of conflicts of interest;
- c) attributes and revokes powers to directors, defining the limits and procedures of exercise;
- d) determines the remuneration of the executive directors and of the other directors holding specific positions;
- e) evaluates the general performance of operations, taking into account, in particular, the information received from executive bodies;
- f) examines and approves the Issuers operations prior to being carried out, when these operations have a significant strategic, economic, or financial importance for the Issuer, paying particular attention to the situations in which one or more Directors have an interest on their own behalf or on behalf of third parties and, in general, in the transactions with related parties.

Any exemptions from anti-competition agreements are authorised by the Shareholders' Meeting as established by Article 2390 of the civil code.

The executive responsible for the preparation of accounting documents from time to time attends the meetings of the Board of Directors', where the Meeting Agenda contains matters relevant to his/her scope of activity.

The meetings of the Board of Directors' are normally called with 5 days notice, with the documentation concerning the meeting sent to the Directors in electronic form duly in advance.

4.4. EXECUTIVE BODIES

Chairman and Chief Executive Officer

The Board on June 16, 2017 appointed Mr. Francesco Gianni as Chairman and Mr. Albino Majore as Chief Executive Officer and has conferred the following powers:

A) The company is represented, separately, by the Chairman and the CEO.

B) **The Chairman** is granted the following powers to be exercised individually and in compliance with the organisational procedures approved by the Board of Directors:

1. represent the Company in Italy and abroad with all of the powers established by the By-Laws, at Public Administrations and with private parties, diplomatic representatives, associations, with associated and group companies, promoting the activities in Italy and abroad;

2. identify, collaborating with the Chief Executive Officer, the strategies of the Company to be put to the Board of Directors;

3. control company operations and ensure implementation of the Board of Directors' motions;

4. take all legal action necessary and defend legal cases taken against the Company, appointing the relative attorneys;

5. undertake, through the relevant group structure, corporate communication activities.

B) **The Chief Executive Officer** is granted the following powers to be exercised individually and in compliance with the organisational procedures approved by the Board of Directors:

1. coordinate and control the activities of the company with particular reference to technical-operating aspects and relations with investees; ensure the implementation of the resolutions of the Board of Directors;

2. undertake all initiatives considered useful and/or necessary to ensure compliance with regulations and provisions and measures in relation to workplace security, concerning the registered office and any branches, undertaking the Duties of Employer and delegating such in accordance with the limits established by applicable regulations;

3. sign the correspondence and represent the Company in Italy and Abroad with Administrations in Italy and abroad;

4. open, amend and close, with Banks, Credit Institutions in general and Postal Offices credit opening contracts, current accounts, deposit accounts, advance contracts, also guaranteed by securities.

5. take all legal action necessary and defend legal cases taken against the Company, appointing the relative attorneys;

6. appoint and dismiss personnel, establishing the relative remuneration, promotions, bonuses and penalties, with the obligation to report to the Board of Directors;

7. stipulate, amend or resolve goods purchase and sale contracts (both registered and non-registered), services contracts; appoint consultants from various fields (legal, technical, tax, etc.);

8. sign insurance contracts of one year duration, subject to any tacit extension clause, not greater than the original duration;

9. sign communications to the Judicial Offices, Chambers of Commerce, and other Bodies and public and private offices, concerning powers afforded to the Company under legislation or regulations;

10. undertake any sales or other operation on listed securities for company liquidity management;

11. accept sums and make payments into the bank current accounts of the Company;

12. appoint proxies, within the powers conferred, to third parties or employees of the Company for individual acts or categories of acts with a duration up to December 31 of the year in which they were given.

13. sign and cross cheques, bank, postal and similar drafts, sign and cross drafts, issue cheques, bank transfers and payment mandates also on open credits; all in compliance with the obligations undertaken by the Company;

14. request and accept all sums and monies or in securities, for capital or for interest from any physical or legal person making the relative payments to the bank accounts of the Company; collect deposits and sign receipts;

15. accept sureties, also as counter-guarantee;

16. issue sureties in the interest of the subsidiaries, without restrictions;

17. make payments and deposits at credit institutions, undertake currency operations and those related to

imports and exports;

18. represent, with the right to delegate, the Company in the ordinary and extraordinary shareholders' meeting of investees with the widest powers in relation to the matters on the agenda.

Reporting to the Board

As there are no operational delegated powers, the corporate activities are reported directly by the Chairman on the occasion of each Board meeting.

4.5. OTHER EXECUTIVE DIRECTORS

The Director Mario Delfini is an Executive Director as he was delegated administrative powers in particular relating to fiscal compliance and as Chairman of the company "Leggo S.p.A." and Sole Director of Fincel S.r.l..

In the Board of Directors' meetings, the Directors are constantly updated on the business activities, also in relation to regulatory provisions, so that they may correctly undertake their role.

4.6. INDEPENDENT DIRECTORS

The Board of Directors of the Company in office has six independent members:

- Mr. Francesco Gianni
- Mr. Antonio Catricalà;
- Mr. Massimo Confortini;
- Mr. Giancarlo Cremonesi;
- Mr. Massimo Lapucci;
- Ms. Valeria Ninfadoro;

persons that do not have, or recently had, even indirectly, with the Company or with parties related to the Company, relationships such as to affect their independent judgment.

The existence and the maintenance of the independence requisites are verified in the first meeting following appointment and annually by the Board of Directors and the Board of Statutory Auditors on the basis on the declarations made by the Directors.

The Independent Directors met twice during the year in the absence of the other directors.

4.7. LEAD INDEPENDENT DIRECTOR

The Board did not consider it necessary to appoint a lead independent director as all the operational decisions, even if contained in the powers of the Chairman and Chief Executive Officer, are taken together with the contribution of the independent directors.

5. HANDLING OF CORPORATE INFORMATION

The Board of Directors, in compliance with article 114 of the CFA, adopted a new code of conduct to govern the disclosure obligations in relation to internal dealing, in accordance with the provisions of articles 152 and thereafter of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments.

This Code, in force since April 1, 2006, was updated as per the new market abuse regulations and governs the disclosure obligations and conduct that the "relevant persons" must respect in relation to Consob and the Company; they must therefore communicate to the market, in accordance with the terms and conditions established by the above-mentioned Consob Regulation No. 11971/999, the operations on listed financial instruments or other related financial instruments, issued by the Company.

On the basis of the market abuse regulation, in 2017 the policy for the internal management and communication of Inside Information and for the Insider Register was updated.

6. INTERNAL COMMITTEES TO THE BOARD (as per Article 123-bis, paragraph 2, letter d) CFA)

The Board of Directors renewed the Committee for transactions with related parties as required by the Consob Regulation, comprising exclusively of independent directors in accordance with the Consolidated Finance Act. The Committee comprises the directors Mr. Antonio Catricalà, Mr. Giancarlo Cremonesi and Mr. Massimo Lapucci.

Mr Antonio Catricalà was appointed the Chairman of the Committee.

7. APPOINTMENTS COMMITTEE

The Directors are appointed pursuant to Article 14 of the Company By-Laws based on slates presented by the Shareholders, in accordance with Article 147-ter of the Consolidated Finance Act. In view of this, and in consideration of the fact that the “voting by slates guarantees the Shareholders the representation of the minority shareholders on the Board and that shareholders’ meetings have never encountered difficulties in the appointment of Directors, and considering that their creation is optional according to the Self-Governance Code of listed companies, the Board did not consider it necessary to create an appointments committee.

8. REMUNERATION COMMITTEE

The information in the present section is contained in the remuneration report of the Directors published in accordance with Article 123-ter of the CFA to which reference should be made.

9. REMUNERATION OF DIRECTORS

The information in the present section is contained in the remuneration report of the Directors published in accordance with Article 123-ter of the CFA to which reference should be made.

10. CONTROL AND RISKS COMMITTEE

The Board set up the Control and Risks Committee.

The Committee was renewed by the Board at the meeting of April 29, 2015 and will remain in office for the entire mandate of the Board; following the resignation of the Director Giampietro Nattino (March 14, 2017), at the meeting of October 24, 2017, the Board supplemented the Control and Risks Committee, appointing the Director Giancarlo Cremonesi.

The members of the Control and Risks Committee are the Directors:

- Mr. Massimo Confortini - Chairman
- Mr. Mario Delfini
- Mr. Albino Majore
- Mr. Giancarlo Cremonesi

The Control and Risks Committee of the Company is composed of Executive Directors (2) and Non-executive and independent directors (2).

The Board, on the appointment of the members of the Committee, considered the Directors Delfini and Confortini to have the appropriate accounting and financial expertise to carry out the role.

During the year 2017 the Committee met once.

The Board of Statutory Auditors also attended the Committee meeting.

Duties attributed to the committee

The Control and Risks Committee carries out the following advisory activities to the Board of Directors:

-
- a) assists the Board of Directors in defining the guidelines of the internal control system;
 - b) expresses its opinions on specific aspects inherent in the identification of the main corporate risks as well as the design, implementation and management of the internal control system;
 - c) provides, where required by the relative procedures, an opinion to the Board of Directors in relation to pre-established operations.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor attended the meetings of the Committee, in line with application Criterion 7.C0.3 of the Self-Governance Code.

Minutes of the Committee meetings were maintained. The minutes are maintained in a specific register in the administrative office of the Company.

The Control and Risks Committee has access, including through the Internal Control Manager, to all information and departments necessary for the undertaking of their duties. The Board did not define the terms and limits in which the Committee may utilise external consultants, considering that the Committee may from time to time freely request, based on the matters on hand, the necessary information and advice from external consultants.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system, as established by the Self-Governance Code for listed companies, is the overall rules, procedures and organisational structures which enable, through an adequate process of identification, measurement, management and monitoring of the principal risks, a safe, correct and coherent management of the enterprise with its set objectives.

In relation to the principal characteristics of the Risk and Internal Control Management System in relation to financial disclosure, also consolidated, reference should be made to Attachment 2.

11.1. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Directors, given the Holding structure of the Company and given the internal control structure principally undertaken by the individual operating units or the subsidiary companies, did not consider it necessary to appoint an executive director to overview the functioning of the internal control and risk management system.

11.2. INTERNAL CONTROL MANAGER

The Board of Directors of the Company on April 29, 2015 appointed the Internal Control Manager Mr. Fabrizio Caprara.

The Internal Control Manager is an executive of the group.

The Internal Control Manager has direct access to all information necessary for the undertaking of his duties and reports to the Internal Control Committee.

The Board of Directors, given the Holding structure of the Company and given the control structure principally undertaken by the individual operating units and subsidiary companies, did not consider it necessary to create an internal auditing function.

11.3. ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001

The Issuer, given its nature as a simple holding company and its organisational structure, considers that the risks deriving from actions of parties which undertake representation, administration and direction functions are extremely reduced and therefore at this point has not adopted the Organisation Model pursuant to Legislative Decree 231/2001.

11.4. INDEPENDENT AUDIT FIRM

The Shareholders' Meeting of April 26, 2012, on the proposal of the Board of Statutory Auditors, awarded the audit of accounts for the nine year period 2012-2020 to PriceWaterhouseCoopers S.p.A., which undertook also the role of principal auditor of the Caltagirone Editore Group.

11.5. EXECUTIVE OFFICER RESPONSIBLE FOR THE PREPARATION OF FINANCIAL STATEMENTS

The Board of Directors' meeting of March 8, 2017, appointed for one year the Executive Officer for Financial Reporting as Mr. Fabrizio Caprara, in possession of all the professional requisites required by law and by the company By-Laws.

An engagement letter provides a detailed list of the powers and duties conferred to the Executive Responsible in order for a diligent undertaking of the role.

The Executive Responsible for Financial Reporting:

- has a position of an adequate level which guarantees the autonomy and independence necessary to undertake the role;
- has free access to all information, both within the company and within the companies of the Group;
- may participate at any meetings of the Board of Directors concerning matters relating to the activities and responsibilities of the Executive;
- may undertake dialogue with all members of the board of directors;
- may approve the organisational procedures when these have an impact on the statutory and consolidated financial statements and on documents which must be certified;
- may participate at the definition and organisation of the IT system which have an impact on the economic, equity and financial situation;
- may undertake controls on any procedure or process which have an impact on the economic, equity and financial situation;
- may propose structural changes to the components of the internal control system considered inadequate;
- may report to the Board of Directors any procedures and processes considered adequate and suggest any countermeasures to adopt and incur any necessary expenses in the undertaking of the role;
- may implement an adequate structure in the area of activity assigned, utilising the resources available and, where necessary, requesting the implementation of these resources;
- may utilise, in the undertaking of its duties, IT and management control systems;

11.6. COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination of the various parties involved in the Internal Control and Risk Management System of Caltagirone Editore S.p.A. (the Board of Directors, the Board of Statutory Auditors, the Control and Risks Committee, the Internal Control Manager and the Executive responsible for the preparation of corporate accounting documents) was ensured by the adoption of processes which minimize the risk of potential duplication of requests from the same bodies, establishing therefore a rational and efficient control system.

12. DIRECTORS INTERESTS AND RELATED PARTY TRANSACTIONS

The Board of Directors on October 24, 2017 approved - with approval also of the Committee for the valuation of related party transactions - the update to the procedure relating to transactions with Related Parties in accordance with the Consob Regulation adopted with resolution No. 17221 of March 12, 2010.

The procedure, as required by the Consob Regulation, was drawn up attributing a greater or lesser responsibility to the role of the independent directors based on their relevant decision making powers and the significance of the transaction and providing adequate levels of disclosure and documentation in order to ensure the transparency and the material and procedural correctness of transactions with related parties. The procedure is published on the website of the company www.caltagironeeditore.com in the Governance/Corporate Governance section.

13. APPOINTMENT OF STATUTORY AUDITORS

Article 22 of the By-Laws provides that the Board of Statutory Auditors consists of a Chairman, two standing auditors and two alternate auditors. The Board of Statutory Auditors exercises all the functions required by law and by the company By-Laws. The duration of the appointment is in accordance with law; the statutory auditors may be re-elected.

Article 22 of the By-Laws is in line with the gender balance regulation in accordance with Law No. 120 of July 12, 2011.

The statutory auditors qualify as independent and possess the professional and honourable competencies prescribed by law. Persons who already cover the role of statutory auditor in more than five other listed companies, excluding the direct or indirect subsidiaries of the company or controlled by the same parent company that controls the Company, may not be elected nor can persons who do not have the requisites of honourability and professionalism as required by the relevant regulations, as well as incompatibility by law.

The Board of Statutory Auditors are elected by the Shareholders' Meeting on the basis of slates presented by shareholders that hold at least 2% of the share capital, or if lower any other threshold established by Consob in accordance with current regulations.

The slates must be filed at the registered office and made available to the public in accordance with the applicable regulation. The persons presenting the slates must file, together with the slate, the declaration certifying the number of shares necessary for the presentation of the slate.

Each shareholder, as well as shareholders belonging to the same group (meaning holding companies, including individuals, as per article 2359 of the civil code and its subsidiaries), who adhere to a shareholder pact in accordance with article 122 of the Legislative Decree 24.2.1998 No. 58, cannot present, directly, by interposed persons, or through trust companies, more than one slate. Violation of this regulation will result in the application of paragraph 12 of the same article 22 for all of the slates presented independent of the order of the slates presented.

In the event where at the end of the period for the presentation of the slates only one slate has been presented, or only slates presented by shareholders belonging to the same group or belonging to a shareholder agreement, slates may be presented up to the third day after this date, provided that the notices are made in accordance with current regulations.

In this case, the percentage threshold established for the presentation of the slate is reduced by half.

The slates must be provided with the information relating to the shareholders presenting the slates, with an indication of the total percentage shareholding held, of the Curriculum Vitae of each person on the slate as well as a declaration by the candidate, under their own responsibility, that they possess the requisites required by law and the acceptance of their candidature.

The written acceptance of the candidature and the declaration of the inexistence of ineligibility must be filed together with the slate.

The slates for the election of the members of the Board of Statutory Auditors must include the names of one or more candidates, not above the number of statutory auditors to be elected, indicated by progressive order; the slates can be divided into two sections, each with a maximum of three candidates (progressive numbering) for the office of standing auditor and alternate auditor. Each slate for the appointment of standing auditors and alternate auditors must contain a number of candidates belonging to the under-represented gender which ensures, within the slate itself, compliance with the gender balance quota established by applicable laws and regulations.

No shareholder may present or vote, even as proxy, on more than one slate and each candidate shall be presented on only one slate, at the risk of ineligibility.

The first two candidates of the slate which obtains the largest number of votes are elected as standing auditors ("the Majority Slate") and the first candidate of the slate presented and voted by the shareholders which are not related, even indirectly, to the majority shareholders, which is second in terms of number of votes (the "Minority Slate"), is elected Chairman of the Board of Statutory Auditors.

Also elected are:

- one alternate auditor among the candidates indicated in the section "Alternate Auditors" of the Majority Slate in progressive order;
- one alternate auditor among the candidates indicated in the section "Alternate Auditors" of the Minority Slate in progressive order.

Where the result of voting does not satisfy the applicable gender balance laws and regulations, the first listed candidate belonging to the under-represented gender replaces the last selected member on the slate

which has received the highest number of votes. Where the gender balance quota has not been met through this method, the Shareholders' Meeting votes by statutory majority.

Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting will decide between them.

In the event of the presentation of only one slate or in the case where only one slate receives votes, all the candidates will be taken from the same slate, providing the gender balance quota under the applicable laws and regulations has been met.

Where it is not possible to proceed with the appointment of one or more Statutory Auditor through the voting of slates, the Shareholders' Meeting will resolve through statutory majority, ensuring the minimum gender quota established under the applicable law and regulations has been met. In the case of the substitution of a Standing Auditor, an Alternate Auditor is taken from the same slate as the auditor leaving office, ensuring the minimum gender quota established under the applicable law and regulations is met.

As regards the rules for appointing any standing or alternate Auditors needed to make up vacancies on the Board of Statutory Auditors these shall be decided by resolutions of the Shareholders' Meeting, adopted by statutory majority, ensuring the minimum gender quota established under the applicable law and regulations has been met.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (as per Article 123-bis, paragraph 2, letter d) and d-bis) CFA)

The Board of Statutory Auditors in office were appointed by the Shareholders' Meeting of April 22, 2015 with a favourable vote of 100.00% of the share capital present, based on a single slate presented by the Shareholder Parted 1982 S.p.A., owner of 44,454,595 shares corresponding to 35.564% of the share capital and which will remain in office until the approval of the financial statements at December 31, 2017.

The following were elected: Mr. Antonio Staffa, Chairman, Ms. Maria Assunta Coluccia, Statutory Auditor, Mr. Federico Malorni Statutory Auditor, Mr. Vincenzo Sportelli Alternate Auditor, Ms. Patrizia Amoretti Alternate Auditor.

For the personal and professional characteristics of each Statutory Auditor, reference should be made to the curriculum vitae available on the Company website www.caltagironeeditore.com, in the Governance / 2015 Shareholders' Meeting section.

During 2017, the Board of Statutory Auditors met 4 times. The meetings had an average duration of 1 hour 45 minutes. 4 meetings are scheduled for 2018.

The Board of Statutory Auditors evaluated the independence of its members.

There are no specific obligations of the statutory auditors where they have interests on their own behalf or of third parties. Before the approval of each resolution, the Board requests its members to declare whether they hold any interests in the operations being resolved upon.

In 2017 the Board of Statutory Auditors evaluated the independence of the audit firm and verified compliance with regulations and of the nature and size of any services provided to the Company.

In carrying out its activities, the Board of Statutory Auditors coordinated, through informal contacts, with the administration department, the Executive for financial reporting and the Control & Risks Committee.

For the composition of the Board at December 31, 2017, reference should be made to Table 3 as no changes have been made since that date.

15. RELATIONS WITH SHAREHOLDERS

The Company has created a section on its website www.caltagironeeditore.com to provide significant information to the shareholders, in order to ensure that these latter can exercise their rights in a knowledgeable manner.

An Investor Relations Department was also set up and a communication department is also in place.

The Company appointed ESSECIEFFE INVESTMENT Srl as Investor Relations Manager in the person of its Chief Executive Officer Remo Marchelli.

16. SHAREHOLDER MEETINGS (as per Article 123-bis, paragraph 2, letter c), CFA)

Article 9 of the By-Laws, as per Article 2369 of the Civil Code, paragraph 2 establishes that: “Subsequent meetings may be called where the quorums established by applicable regulations for each of the previous meetings have not been met”.

The By-Laws establish that attendance at the Shareholders’ Meeting and the right to vote is governed by the relevant regulation.

Each shareholder with voting rights and who has the right to attend the shareholders’ meeting can be represented by written proxy in accordance with current regulations.

No specific constituting and motion adopting quorums are in place and for which regulatory provisions are observed.

The Company, for the present moment, does not consider it necessary to implement regulations for the shareholders’ meetings, given the good and correct functioning of these meetings in the past.

The Chairman of the Shareholders’ Meeting verifies the right to attend of each shareholder (and also proxies) and ascertains whether the meeting is validly constituted by the presence of the necessary quorum. The Chairman directs and regulates the discussions at Shareholders’ Meetings.

In 2017 the Shareholders’ Meeting met once on April 12, with the attendance of six Directors and the full Statutory Auditors.

The Board reported to the Shareholders’ Meetings on the activities undertaken and on the future programmes, in line with the requests made by the shareholders present.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (as per Article 123-bis, paragraph 2, letter a), CFA)

The Company has not applied further corporate governance practices than those indicated in the previous points.

18. CHANGES SUBSEQUENT TO THE YEAR-END

No changes have been made to the corporate governance structure since year-end.

19. CONSIDERATIONS ON THE LETTER OF DECEMBER 13, 2017 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

With the above-stated letter addressed to the Issuer, the Chairman of the Committee sought to incentivise application of the Self-Governance Code and promote corporate governance development among all listed companies according to the principles of the Code, regardless of their formal adoption of the Code.

As stated at paragraph 3) above, the Issuer does not intend adopting Self-Governance Code for the reasons mentioned above; however, having always shared its general principles in terms of its applied governance, the company is highly mindful of the letter’s content.

Rome, March 12, 2018

**for the Board of Directors
The Chairman
Mr. Francesco Gianni**

Tables

Tab. 1: Information on shareholders

SHARE CAPITAL STRUCTURE				
	No. of shares	% of share capital	Listed	Rights and obligations
Ordinary shares	125,000,000	100%	Italian Stock Exchange	Right to attend the Shareholders' Meeting (also through a proxy); Right to vote at the Shareholders' Meeting; Option rights on newly issued shares in the case of share capital increases.

SIGNIFICANT SHAREHOLDINGS			
Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Francesco Gaetano Caltagirone	No through FGC Finanziaria Srl, Gamma S.r.l. and Parted 1982 S.p.A.	60,764%	61,873%
*Amber Capital UK LLP on behalf of Amber Active Investor LTD		5,515%	5,615%

* on 10 January 2018 Amber Capital UK LLP communicates with Mod. 120A on behalf of Amber Active Investor LTD, a variation of 5.515% to 10.465%.

Table 2: Structure of the Board of Directors and Committees

Board of Directors												Control and Risks Committee			Committee for the evaluation of related parties transactions	
Office	Member	Year of birth	Date of first appointment *	In office from	In office until	Slate **	Exec.	Non Exec.	Ind. Code	Ind. CFA	No. other offices ***	(*)	(*)	(**)	(*)	(**)
Chairman Director	Gianni Francesco	1943	13 06 17	16 06 17 13 06 17	Next AGM			X		X	6	7/7				
Chief Executive Officer Director	Majore Albino	1945	21 12 99	16 06 17 22 04 15	Approv. Fin. Stats. 31 12 17	M	X				6	11/11	1/1	M		
Director	Caltagirone Tatiana	1967	22 04 15	22 04 15	Approv. Fin. Stats. 31 12 17	M		X			1	5/11				
Director	Catricalà Antonio	1952	12 04 17	12 04 17	Approv. Fin. Stats. 31 12 17			X		X	2	8/8			1/1	M
Director	Confortini Massimo	1954	03 05 01	22 04 15	Approv. Fin. Stats. 31 12 17	M		X		X	1	11/11	1/1	C		
Director	Cremonesi Giancarlo	1947	13 06 17	13 06 17	Next AGM			X		X	3	7/7	1/1	M	1/1	M
Director	Delfini Mario	1940	21 12 99	22 04 15	Approv. Fin. Stats. 31 12 17	M	X				7	11/11	1/1	M		
Director	Lapucci Massimo	1969	13 06 17	13 06 17	Next AGM			X		X	2	6/7			1/1	M
Director	Ninfadoro Valeria	1969	13 06 17	13 06 17	Next AGM			X		X		7/7				
-----DIRECTORS RESIGNING DURING THE YEAR-----																
Director	Nattino Giampietro	1935	03 05 01	22 04 15	14 03 17	M		X		X		1/3		M		M
Chairman Director	Caltagirone Francesco Gaetano	1943	21 12 99	29 04 15 22 04 15	09 06 17	M	X					3/3				
Vice Chairman Director	Caltagirone Azzurra	1973	21 12 99	29 04 14 22 04 15	09 06 17	M	X					3/3				
Director	Caltagirone Alessandro	1969	23 06 09	22 04 15	09 06 17	M		X				1/3				
Director	Caltagirone Francesco	1968	27 04 06	22 04 15	09 06 17	M		X				1/3				
Number of meetings held by the BoD: 11						Number of meetings held by the Control and Risks Committee: 1						Number of meetings held by the Committee for the evaluation of related parties transactions 2				
Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 147 CFA): 2%																

NOTE

The following symbols must be indicated in the "Office" column:

* The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of the Issuer. 4/4

** This column indicates the slate from which each Director originated ("M": majority slate; "m": minority slate; "BoD": slate presented by the BoD).

***This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.

(*) This column indicates the percentage of attendance of the Director in relation to the number of BoD and Committee meetings (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

(**). This column indicates the position of the Director on the Committee: "C": chairman; "M": member;

Tab. 3: Structure of the Board of Statutory Auditors

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office from	In office until	Slate **	Ind. Code	Attendance at Board meetings ***	No. of other offices ****
Chairman	Staffa Antonio	1943	24 06 03	22 04 15	Approv. Fin. Stat. 31 12 17	M	X	4/4	10
Statutory Auditor	Coluccia Maria Assunta	1966	27 04 06	22 04 15	Approv. Fin. Stat. 31 12 17	M	X	4/4	19
Statutory Auditor	Malorni Federico	1957	21 12 99	22 04 15	Approv. Fin. Stat. 31 12 17	M	X	4/4	38
Alternate Auditor	Sportelli Vincenzo	1965	24 04 11	22 04 15	Approv. Fin. Stat. 31 12 17	M	X	4/4	
Alternate Auditor	Amoretti Patrizia	1970	22 04 2015	22 04 15	Approv. Fin. Stat. 31 12 17	M	X	4/4	
-----STATUTORY AUDITORS RESIGNING DURING THE YEAR-----									
	Surname Name								
Number of meetings held in the year: 4									
Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 148 CFA): 2%									

NOTE

* The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

** This column indicates the slate from which each Statutory Auditor originated ("M": majority slate; "m": minority slate).

*** This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

**** This column indicates the number of offices of director or statutory auditor in accordance with Article 148 bis of the CFA and the relative enacting provisions in the Consob Issuers' Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144- quinquiesdecies of the Consob Issuers' Regulations.

Attachment 1: Offices held (Indicates offices held in other listed companies and in financial, banking and insurance companies or companies of a significant size.)

Name	Office	Company	Companies belonging to the group
Francesco Gianni	Director Statutory Auditor Director Director Vice Chairman	Maggioli S.p.A. Geox S.p.A. Vitrociset S.p.A. Valvitalia S.p.A. Valvitalia Finanziaria S.p.A. Cassa di Risparmio di Ravenna S.p.A.	
Albino Majore	Director Director Chairman from 6 02 17 Director Chairman Director	Caltagirone S.p.A. Vianini Lavori S.p.A. Vianini S.p.A. Il Messaggero S.p.A. Piemme S.p.A. FGC S.p.A.	X X X X X X
Tatiana Caltagirone	Director	Caltagirone S.p.A.	X
Antonio Catricalà	Chairman Chairman	Aeroporti d Roma S.p.A. OAM	
Massimo Confortini	Chairman	Persidera S.p.A.	
Giancarlo Cremonesi	Chairman Vice Chairman Director	Sorgente Rem S.p.A. Tecno Holding S.p.A. Imprebanca S.p.A.	
Mario Delfini	Chairman Director Director Director Director Director Vice Chairman	Vianini Lavori S.p.A. Caltagirone S.p.A. Cementir Holding S.p.A. Il Messaggero S.p.A. Piemme S.p.A. FGC S.p.A. Fabrica Immobiliare SGR S.p.A.	X X X X X X X
Massimo Lapucci	Director Director	Atlantia S.p.A. Banca Generali S.p.A.	

Attachment 2: “Principal characteristics of the risk management and internal control system in relation to the financial disclosure process” in accordance with article 123-bis, paragraph 2, letter b), of the Consolidated Finance Act

An effective internal control system contributes to the safeguarding of the company assets, the efficiency in the business operations, the reliability of the financial information and compliance with law and regulations.

In order to ensure the reliability of financial reporting and the correct representation of events, the Board of Directors drew up guidelines which must be fully incorporated into the internal control system. These guidelines are as follows:

- a) the financial reporting must comply with generally acceptable accounting principles which are relevant to the specific circumstances in which the company operates;
- b) financial disclosure must include all events which may impact the use, the understanding and the interpretation of such information;
- c) the accounts must reflect the operations and the underlying events;
- d) the financial reporting must be supported by the following underlying assertions concerning specific events:
 - 1) **existence**: the assets, liabilities and capital exist and the operations reported in the accounts concern events which have been verified;
 - 2) **completeness**: all of the operations and other events and circumstances which are verified in the course of a certain period, or should have been recorded in this period, are properly recorded;
 - 3) **rights and obligations**: the assets represent rights and the liabilities represent obligations of an entity at a certain date;
 - 4) **measurement and recognition**: the assets, liabilities, revenues and expenses are recorded for their exact amount in compliance with correct accounting principles.
The transactions are mathematically correct and recorded in the accounting records of the company;
 - 5) **presentation and disclosure**: the financial statement accounts are correctly described and classified.

In order to identify the principal risks and to identify the areas and accounts which greatest affect the reliability of the financial reporting, both qualitative and quantitative factors must be considered, including the risk of fraud, through examining the following aspects:

- a) **impact on the financial statements**: each account is valued with reference to the percentage of a specific category, such as for example, the total of assets;
- b) **characteristics of the individual accounts**: the internal factors such as the volumes of underlying transactions to a specific financial statement account, the necessity for estimates and the complexity of the accounting principles adopted are examined;
- c) **characteristics of the operating processes**: the operating processes which generate transactions that constitute the individual financial statement items are identified;
- d) **risk of fraud**: the error risk relating to fraudulent actions is evaluated;
- e) **group level factors**: the factors which affect the group as a whole such as the type of activities carried out by the various companies, the size and quality of the workforce, the changes relating to possible changes in the organisational structure and in the IT systems are considered.

The internal control system adopted by the Issuer consists of:

- a) a “first level control”, comprising a series of controls which the individual operating units or companies of the Group undertake in its processes. These control activities are undertaken primarily by the operating management and are considered an integral part of each corporate process;

- b) a “second level of controls” is undertaken by the Committee through the Internal Control Manager principally with the purpose to identify and contain all business risks through periodic verification of the processes, both in terms of the adequacy of the controls and in terms of efficiency of the results obtained.