



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/2018 Self-Governance Code: the Self-Governance Code of listed companies approved in July 2018 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: 2019

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 of 2017.

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

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.

Caltagirone Editore S.p.A., at the Extraordinary Shareholders' Meeting of April 23, 2018, changed its corporate scope to expand its framework of operations, by evolving from a holding company with interests solely in companies operating in the publishing, advertising, telecommunications and Internet sectors into a holding company with interests in companies and entities also operating in other lines of business.

Caltagirone Editore S.p.A. is defined as an SME in accordance with Article 1, paragraph 1, letter w-quarter 1), of the CFA and Article 2 of the Consob Issuers' Regulation, as per the list published by CONSOB on its website. The capitalisation and turnover for the three-year period 2017 - 2019 is presented below

	2017	2018	2019
CAPITALISATION	132,762,500	159,812,500	137,762,500
REVENUES	144,772,432	143,963,917	135,859,545

2. INFORMATION ON THE OWNERSHIP STRUCTURE (as per Article 123-bis, paragraph 1, CFA) at 31/12/2019

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

Subscribed and paid-in share capital of Caltagirone Editore at December 31, 2019: 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 at the date of this report 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.

On October 11, 2018, in addition, the authorisation to purchase treasury shares issued by the Shareholders' Meeting of April 12, 2017 concluded. At December 31, 2018, the company holds in portfolio a total of 18,209,738 treasury shares, equal to 14.5678%, having in November 2018, as per Article 2437-*quater*, paragraph 5 of the Civil Code, purchased 16,051,806 shares of the company which had remained un-opted following the withdrawal of shareholders and their offer as options under pre-emption rights, concluding in July 24, 2018, following the approval of the Extraordinary Shareholders' Meeting motion of the company of April 23, 2018 to amend Article 2 (Corporate Scope) of the By-Laws.

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 remuneration report of the Directors (published as per Article 123-*ter* of the CFA), 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 of a working relationship 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 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 23, 2018 established the number of members of the Board of Directors as 12.

For the appointment of the Board of Directors, two slates were presented to the company:

- a slate submitted by the shareholder Parted 1982 S.p.A, which holds a 35.564% stake, with 11 candidates, including Messrs.: Francesco Gianni, Alessandro Caltagirone, Azzurra Caltagirone, Francesco Caltagirone, Tatiana Caltagirone, Antonio Catricalà, Massimo Confortini, Mario Delfini, Albino Majore, Annamaria Malato and Valeria Ninfadoro.

- a slate submitted by Amber Capital UK LLP as manager of the fund Amber Active Investors Ltd, which holds a 10.53% stake, with 2 candidates, including Messrs.: Giacomo Scribani Rossi and Luciano Duccio Castelli.

Following voting, the slate presented by Parted 1982 S.p.A. obtained 90,823,155 votes, representing 85.943% of the share capital present. The slate presented by Amber Capital UK LLP obtained 14,854,188 votes, representing 14.056% of the share capital present.

The following persons were therefore elected: Francesco Gianni, Azzurra Caltagirone, Albino Majore, Alessandro Caltagirone, Francesco Caltagirone, Tatiana Caltagirone, Antonio Catricalà, Massimo Confortini, Mario Delfini, Annamaria Malato, Valeria Ninfadoro, Giacomo Scribani Rossi.

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, 2020.

For the personal and professional background of each director, reference should be made to the curriculum vitae available on the Company website (www.caltagironeeditore.com), together with the above-mentioned slates, in the section Governance/2018 Shareholders' Meetings.

The Issuer adopted from November 11, 2013 gender equality policies with regards to the make up of the Board of Directors, in compliance with the applicable law.

For the composition of the Board at December 31, 2019, 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)

In 2019, the Board of Directors held 2 meetings in the year, at which the Directors and the Board of Statutory Auditors attended regularly.

The average duration of the Board meetings in 2019 was approximately 80 minutes.

For the current year at least two meetings are planned. In 2020, the Board of Directors met on March 10, 2020.

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;
- 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 & Chief Executive Officer

The Board of Directors at the meeting of May 8, 2018 appointed Chairman Mr. Francesco Gianni, Vice Chairperson Ms. Azzurra Caltagirone and Chief Executive Officer Mr. Albino Majore, assigning the following powers:

A) The company is represented, separately, by the Chairman, the Vice Chairman and the Chief Executive Officer.

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.

C) The Vice Chairman is granted separately the same powers as the Chairman, to be exercised only in the case of the declared impediment of the Chairman.

D) 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, the Vice Chairman and the Chief Executive Officer on the occasion of each Board meeting.

4.5. OTHER EXECUTIVE DIRECTORS

The Director Mario Delfini is an additional Executive Director as he was delegated administrative powers - in particular relating to fiscal compliance. Director Delfini, in addition, is the Chairman of the company "Leggo S.p.A." and of Finced 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:

- Ms. Francesco Gianni
- Mr. Antonio Catricalà;
- Mr. Massimo Confortini;
- Ms. Annamaria Malato;
- Ms. Valeria Ninfadoro;
- Mr. Giacomo Scribani Rossi

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 did not meet during the year.

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, the Vice Chairman and the Chief Executive Officer, are taken together with the contribution of the independent directors.

5. PROCESSING 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, updated as per the new market abuse regulations, 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.

The Internal Dealing Policy is published on the company website www.caltagironeeditore.com, in the corporate governance/internal dealing section.

The Board in addition adopted the internal management and communication of Inside Information and Insider Register policy.

The Inside Information Policy was published on the company website www.caltagironeeditore.com, in the corporate governance/corporate documents section.

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

The Board of Directors appointed the Related Party Transactions Committee 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. Massimo Confortini, Ms. Annamaria Malato, Mr. Valeria Ninfadoro and Mr. Giacomo Scribani Rossi. Mr Antonio Catricalà was appointed the Chairman of the Committee.

The Committee met once during the year (on July 23).

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 members of the Committee were appointed by the Board meeting of May 8, 2018 and will remain in office for the same period as the Board.

The members of the Control and Risks Committee are the Directors: Mr. Massimo Confortini (as Chairperson), Mr. Albino Majore, Mr. Mario Delfini, Mr. Antonio Catricalà and Ms. Tatiana Caltagirone. Mr. Massimo Confortini was confirmed as Chairman of the Committee, having held the position also in previous years.

The Control and Risks Committee of the Company is composed of two Executive Directors and three Non-executive directors, of which two independent.

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 2019 the Committee met three times.

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.

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 is the set of rules, procedures and organizational structures aimed at facilitating, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and correct management consistent with the established goals. The Board of Directors has defined and described the main features of the risk management and internal control system in relation to financial disclosure (including consolidated disclosure). Reference should be made to Annex 2 in this regard.

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 May 8, 2019, 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 and Risk Management 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, 2019, confirmed 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.

The Executive Responsible, for a diligent undertaking of the role:

- 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 approved - with approval also of the Related Party Transactions Committee - 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, attributes 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 establishes that the composition of the Board of Statutory Auditors must comply with the applicable gender equality laws and regulations.

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 currently in office was appointed by the Shareholders' Meeting of April 23, 2018 and remains in office until the approval of the financial statements at December 31, 2020.

At the Shareholders' Meeting of April 23, 2018, two slates containing the candidates for the position of Statutory Auditor were presented:

- a slate submitted by the shareholder Parted 1982 S.p.A, which holds a 35.564% stake, including Messrs.: Antonio Staffa, Maria Assunta Coluccia and Federico Malorni (candidates for the office of statutory auditor); Patrizia Amoretti and Vincenzo Sportelli (candidates for the office of alternate auditor).
- a slate submitted by Amber Capital UK LLP as manager of the fund Amber Active Investors Ltd, which holds a 10.53% stake, including Messrs.: Matteo Tiezzi (statutory auditor) and Luisa Renna (alternate auditor).

The slate submitted by Parted 1982 S.p.A. received 90,823,855 votes, accounting for 85.943% of share capital represented.

The slate submitted by Amber Capital UK LLP as manager of the fund Amber Active Investors Ltd; it received 14,854,188 votes, accounting for 14.056% of the share capital represented.

The following were elected: Matteo Tiezzi, as Chairman, Antonio Staffa and Maria Assunta Coluccia as Statutory Auditors and Luisa Renna and Patrizia Amoretti as Alternate Auditors.

For the personal and professional background of each Statutory Auditor, reference should be made to the curriculum vitae available on the Company website www.caltagironeeditore.com, in the Governance / 2018 Shareholders' Meeting section.

During 2019, the Board of Statutory Auditors met 10 times.

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 2019 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.

On February 28, the Statutory Auditor Ms. Maria Assunta Coluccia, and on March 4 the Alternate Auditor Ms. Patrizia Amoretti, due to commitments arising, resigned with effect from the date of the Shareholders' Meeting that will approve the 2019 Annual Accounts.

For the composition of the Board at December 31, 2019, 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 assigned the External Relations Office in the person of Mr. Filippo Noto the role of Investor Relations Manager.

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 2019, the Shareholders’ Meeting met once on April 15, with the attendance of eight Directors and the full Board of 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 19, 2019 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

With the above-stated letter addressed to the Issuer, the Chairman of the Corporate Governance 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 the Self-Governance Code; 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 10, 2020

**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 S.p.A. Gamma S.r.l. and Parted 1982 S.p.A.	60.764%	71.126%

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	Members	Year of birth	Date of first appointment *	In office from	In office until	Slate **	Exec.	Non Exec.	Ind. Code	Ind. CFA	No. other offices ***	(*)	(*)	(**)	(*)	(**)
Chairperson Director	Gianni Francesco	1943	13 06 17	08 05 18 23 04 18	Approv. Fin. Stats. 31 12 20	M		X		X	6	2/2				
Vice Chairperson Director	Caltagirone Azzurra	1973	21 12 99	8 05 18 23 04 18	Approv. Fin. Stats. 31 12 20	M	X				7	2/2				
Chief Executive Officer Director	Majore Albino	1945	21 12 99	8 05 18 23 04 18	Approv. Fin. Stats. 31 12 20	M	X				6		3/3	M		
Director	Caltagirone Alessandro	1969	23 06 09	23 04 18	Approv. Fin. Stats. 31 12 20	M		X			7	2/2				
Director	Caltagirone Francesco	1968	27 04 06	23 04 18	Approv. Fin. Stats. 31 12 20	M		X			4					
Director	Caltagirone Tatiana	1967	22 04 15	23 04 18	Approv. Fin. Stats. 31 12 20	M		X				1/2	2/3	M		
Director	Catricalà Antonio	1952	12 04 17	23 04 18	Approv. Fin. Stats. 31 12 20	M		X		X	1	2/2	3/3	M	1/1	P
Director	Confortini Massimo	1954	03 05 01	23 04 18	Approv. Fin. Stats. 31 12 20	M		X		X	1	2/2	3/3	P	1/1	M
Director	Delfini Mario	1940	21 12 99	23 04 18	Approv. Fin. Stats. 31 12 20	M	X				7	2/2	2/3	M		
Director	Malato Annamaria	1968	23 04 18	23 04 18	Approv. Fin. Stats. 31 12 20	M		X		X		2/2			1/1	M
Director	Ninfadoro Valeria	1969	13 06 17	23 04 18	Approv. Fin. Stats. 31 12 20	M		X		X		2/2			1/1	M
Director	Scribani Rossi Giacomo	1967	23 04 18	23 04 18	Approv. Fin. Stats. 31 12 20	m		X		X		2/2			1/1	M
-----DIRECTORS RESIGNING DURING THE YEAR-----																
Number of meetings held by the BoD: 2						Number of meetings held by the Control and Risks Committee: 3						Number of meetings held by the Committee for the evaluation of related parties transactions 1				

NOTE

* 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.

** 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 first appointment *	In office from	In office until	Slate **	Ind. Code	Attendance at Board meetings ***	No. of other offices ****
Chairperson	Tiezzi Matteo	1966	23 04 18	23 04 18	Approv. Fin. Stat. 31 12 20	m		10/10	10
Statutory Auditor	Staffa Antonio	1943	24 06 03	23 04 18	Approv. Fin. Stat. 31 12 20	M	X	10/10	10
Statutory Auditor	Coluccia Maria Assunta	1966	27 04 06	23 04 18	Approv. Fin. Stat. 31 12 19	M	X	10/10	6
Alternate Auditor	Renna Luisa	1979	23 04 18	23 04 18	Approv. Fin. Stat. 31 12 20	m			
Alternate Auditor	Amoretti Patrizia	1970	22 04 15	23 04 18	Approv. Fin. Stat. 31 12 19	M	X		
-----STATUTORY AUDITORS RESIGNING DURING THE YEAR-----									
Number of meetings held in the year: 10									
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	Vice Chairperson Director Director Director Director Statutory Auditor	La Cassa di Ravenna S.p.A. Prelios SGR S.p.A. Maggioli S.p.A. Valvitalia S.p.A. Valvitalia Finanziaria S.p.A. Geox S.p.A.	
Azzurra Caltagirone	Vice Chairperson Vice Chairperson Chief Executive Officer Director Vice Chairperson Chairperson Director	Cementir Holding N.V. Caltagirone S.p.A. Il Messaggero S.p.A. Aalborg Portland Holding A/S Piemme S.p.A. FGC S.p.A. Banca Generali	X X X X X X
Albino Majore	Director Director Chairperson Director Chairperson Director	Caltagirone S.p.A. Vianini Lavori S.p.A. Vianini S.p.A. until 6/05/2019 Il Messaggero S.p.A. Piemme S.p.A. Ansa	X X X X X
Alessandro Caltagirone	Vice Chairperson Director Director Director Vice Chairperson Director Director	Cementir Holding N.V. Caltagirone S.p.A. Vianini Lavori S.p.A. Il Messaggero S.p.A. Aalborg Portland Holding A/S Piemme S.p.A. until 25/07/2019 ACEA S.p.A.	X X X X X X
Francesco Caltagirone	Chairman/Chief Executive Officer Chief Executive Officer Director Director	Cementir Holding N.V. Aalborg Portland Holding A.S. Caltagirone S.p.A. SUEZ S.A.	X X X
Antonio Catricalà	Chairperson	Aeroporti d Roma S.p.A.	
Mario Delfini	Chairperson Director Director Director Director Director Vice Chairperson	Vianini Lavori S.p.A. Caltagirone S.p.A. Cementir Holding N.V. Il Messaggero S.p.A. Piemme S.p.A. until 25/7/2019 FGC S.p.A. Fabrica Immobiliare SGR S.p.A.	X X X X X X X

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.