



Remuneration report

**pursuant to Art. 123-ter of the Consolidated Finance Act and Art. 84-quater of the Issuers’
Regulation**

Date of approval: 13 September 2016

Digital Bros S.p.A.
Via Tortona, 37 – 20144 Milan, Italy
VAT No. and tax code. 09554160151
Share capital: Euro 5,644,334.80 fully paid
Milan Companies Register No. 290680 - Vol. 7394 Chamber of Commerce No. 1302132

The report is available from the website www.digitalbros.com
in the “Investors” section

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This Remuneration Report (the “**Report**”) has been prepared in accordance with article 123-ter of Legislative Decree 58 (the “**Consolidated Finance Act**”) and with article 84-quater of the Consob Regulation adopted with resolution No. 11971 of 14 May 1999, as subsequently amended (the “**Issuers’ Regulation**”).

The Report has two sections:

- section I, which describes the policy adopted for the remuneration of the administrative bodies and key managers, together with the procedures used to adopt the policy;
- section II, which provides an itemised breakdown of the components of the remuneration of the members of the Board of Directors and the control bodies, as well as the remuneration of key managers, highlighting consistency with remuneration policy.

The tables envisaged by the Issuers’ Regulation have been attached to the Report. Tables 2 and 3A, as envisaged by Annex 3A to the Issuers’ Regulation, have not been attached, given that no stock option plans have been approved.

SECTION I

The first section of the Report describes the remuneration policy guidelines adopted by the Company (hereinafter the “**Policy**” or the “**Remuneration Policy**”) that defines the principles and guidelines that Digital Bros Group uses to determine and monitor the application of the remuneration practice of board members and key managers.

The Remuneration Policy was approved by the Board of Directors on 13 September 2016 as proposed by the Remuneration Committee, in implementation of the recommendations of the Code of Conduct for listed companies. The Remuneration Report will be submitted for review by and a consultative vote of the shareholders in general meeting.

The related party transactions procedure adopted by the Company, particularly pursuant to the Regulation laid down by Consob Resolution No. 17221/2010 and subsequent amendments, establishes that should be excluded from the application of the procedure the resolutions concerning the remuneration of directors assigned key tasks and other key managers, except as regards any possible disclosures to be made in financial reports for the reporting period, as specified therein, as long as:

- i) the Company has adopted a Remuneration Policy drawn up by a committee consisting exclusively of directors or non-executive directors, the majority of whom are independent;
- ii) a report has been submitted for approval by or a consultative vote of the shareholders that sets out the Remuneration Policy;
- iii) the remuneration awarded is consistent with said policy.

During the year ended 30 June 2016, the Company adopted a formal Remuneration Policy, which has remained unchanged with respect to the prior year.

In preparing remuneration proposals, the Remuneration Committee did not consider it necessary to seek direct assistance from independent experts.

Without prejudice to matters which fall within the competence of the shareholders in general meeting in accordance with the law and the Articles of Association, the implementation of the Remuneration Policy is the responsibility of the Board of Directors, as regards the definition of the remuneration for the office of Managing Director and of the Managing Director himself, with reference to the remuneration to be awarded to other key managers (also by way of indication and proposal to the competent bodies of subsidiaries).

1. Persons involved in the preparation and approval of the Remuneration Policy

The main persons and bodies involved in the preparation and approval of the Remuneration Policy are the shareholders in general meeting, the Board of Directors, the Remuneration Committee and the Board of Statutory Auditors.

1.1 Board of Directors

The Board of Directors:

- establishes an internal Remuneration Committee;
- determines the remuneration of directors assigned specific duties, having consulted with the Board of Statutory Auditors, and as proposed by the Remuneration Committee;
- as proposed by the Remuneration Committee, defines the Remuneration Policy;
- approves the Remuneration Report;
- prepares any remuneration plans based on shares or other financial instruments intended for directors, employees and collaborators, including key managers, submits them for the approval of the shareholders in general meeting in accordance with article 114-bis of the Consolidated Finance Act and ensures their implementation.

1.2 Remuneration Committee

The Company's Remuneration Committee, which was established by the Board of Directors, as envisaged by the Code of Conduct, consists entirely of non-executive and independent directors and no changes were made thereto during the financial year. The committee is made up as follows:

Guido Guetta – independent director - chairman

Elena Morini – independent director - member

Bruno Soresina – independent director - member.

The Remuneration Committee has the task of:

- submitting proposals to the Board of Directors for the remuneration of the Managing Director and other directors assigned specific duties and of monitoring the application thereof;
- regularly reviewing the criteria adopted for the remuneration of key managers and of assisting the Board of Directors with the identification of key managers;
- monitoring the application of said criteria on the basis of information provided by the Managing Directors;
- providing the Board of Directors with general recommendations on remuneration, as well as the determination of the performance objectives related to the variable remuneration component, verifying that the objectives are effectively achieved;
- assisting the Board of Directors with the preparation and implementation of any share- or financial instrument-based remuneration plans;
- assisting the Board of Directors with the preparation of the Remuneration Report.

The Remuneration Policy has therefore been outlined by the Remuneration Committee and approved by the Board of Directors.

1.3 General meetings of shareholders

As regards remuneration, the shareholders in general meeting:

- determine the remuneration of the members of the Board of Directors and the Board of Statutory Auditors in accordance with Article 2364, paragraph 1 3) of the Italian Civil Code;
- express a consultative opinion on the Report on Remuneration Policy as approved by the Board of Directors;
- approve any remuneration plans based on shares or other financial instruments intended for directors, employees and collaborators, including key managers, in accordance with article 114-bis of the Consolidated Finance Act.

1.4 Board of Statutory Auditors

The Board of Statutory Auditors expresses an opinion on the proposed remuneration of directors and directors assigned specific duties, verifying the consistency of the proposals with the Remuneration Policy.

2. Principles and purposes of the Remuneration Policy

The remuneration of directors, general managers and key managers is established in such a way as to ensure a remuneration structure that acknowledges the professional value of the persons involved and to enable a suitable balancing of fixed and variable components, with the aim of creating value that is sustainable in the medium- and long-term, and to guarantee a correlation between remuneration and specific performance objectives.

The policy intends to motivate resources to excel in the performance of their duties and the assumption of responsibilities assigned thereto, to guarantee a suitable balance between the variable remuneration component and the fixed component and to strike a balance between the short- and medium/long-term criteria.

The guidelines on which the Remuneration Policy is based are indicated below:

- the fixed component must be sufficient to remunerate the performance of the person concerned should the variable component not be assigned due to failure to achieve the relevant objectives;
- the short- and medium/long-term variable component is quantitatively limited and is only awarded upon the achievement of certain objectives (“ON/OFF” mechanism).
- the short-term variable component is measured based mainly on earnings objectives for the financial year;
- the medium/long-term variable component considers the strategic objectives and related business risks assumed by the Company and the award thereof is tied to the achievement of the objectives set out in the 2014-2017 strategic plan.

The performance objectives are:

- priority, insofar as they are connected directly with the Company’s medium/long-term strategy;
- specific, insofar as they are clear and concrete in terms of the results expected;
- measurable, insofar as they are assessed using clear, predefined indicators;
- realistic, insofar as they are considered as able to be achieved, albeit challenging and ambitious;
- defined in terms of time.

The variable components shall be awarded only upon the achievement of the established objective. The amount of the incentive to be paid to each person involved is determined according to the achievement of the results effectively pursued. Although the risk management policy has been formalised, no *performance* objectives have been assigned in relation thereto.

The variable component consists of a short-term component and a medium/long-term component. The former has remained unchanged with respect to previous years and envisages the disbursement of a variable portion of up to 15% for the two Managing Directors and up to 30% for a key manager. The vesting mechanism is linked exclusively to parameters based on earnings for the financial year and is disbursed after Board approval of the draft financial statements.

Effective as from the year ended 30 June 2015, a second variable medium/long-term objective has been introduced for Managing Directors and key managers, amounting to 12% of gross annual remuneration. This incentive vests annually based on objectives tied to the trend of gross average debt, as envisaged in the 2014-2017 strategic plan approved by the Board of Directors on 12 September 2014. Payment of the incentive shall be deferred until after approval of the draft financial statements for the year ending 30 June 2017.

If the Company should carry out any exceptional transactions, in terms of their strategic importance and effects on the Company's results, the Board of Directors, on the proposal of the Remuneration Committee, has the faculty to assign, at its discretion, specific bonuses to executive directors and key managers.

No insurance cover, social security and/or pension plans have been stipulated over and above compulsory ones. The only non-monetary benefits disbursed to Managing Directors and key managers consist of the private and work-related use of a company car.

The Company may resort to incentive and loyalty plans based on shares or other financial instruments intended for directors, employees and collaborators, including key managers, in accordance with Article 114-bis of the Consolidated Finance Act. There are no ongoing plans based on shares (stock options) and/or options or other financial instruments, insofar as their introduction is planned. Accordingly, there are no vesting periods or clauses concerning the holding of financial instruments currently.

The Remuneration Policy does not envisage the stipulation of any agreements regulating financial terms ex ante in the event of resignation from office or in relation to early termination of employment by the Company or party concerned, nor indeed in favour of directors or key managers.

In defining the Remuneration Policy, the Company did not refer to remuneration policies implemented by other companies, nor did it seek any assistance from independent experts.

The remuneration of non-executive directors is not tied to the Company's financial results. Non-executive directors are not awarded share-based incentive plans. The remuneration of non-executive directors is established as a fixed amount upon board approval of remuneration, whereby allocation is made of the amount specified by the shareholders in general meeting. The Remuneration Policy does not envisage any non-monetary benefits for non-executive directors. Remuneration of non-executive directors is also established based on attendance at meetings of Control and Risk Committees and of the Remuneration Committee with a higher amount envisaged for the committee chairman.

SECTION II Remuneration paid to members of the boards of directors and statutory auditors, general managers and other key managers

The remuneration of the members of the Board of Directors was approved by the Board of Directors on 13 November 2014, having consulted with the Board of Statutory Auditors and as proposed by the Remuneration Committee.

The table below shows the emoluments received by the Board of Directors and key managers during the year, according to the criteria laid down in Annex 3A of the Issuers' Regulation.

The table includes all those who held office during the year, even for a fraction of the period.

As at the date of this Report, the Company had not identified any key managers, with the exception of executive directors serving on the Board of Directors.

Executive directors' fees

The Chairman and Managing Director, Abramo Galante, and the Managing Director, Raffaele Galante, each receive the same annual remuneration:

<i>Amounts in Euro</i>	Year ended 30 June 2015	Year ended 30 June 2016
Fixed remuneration for execution of mandate	366,700	366,700
Variable remuneration for execution of mandate	112,450	81,225
Total remuneration for execution of mandate	479,150	447,925
Fixed remuneration for managerial role	59,360	59,360
Variable remuneration for managerial role	0	0
Fringe benefits (car)	3,917	3,883
Non-compete agreement	0	0
Total remuneration for managerial role	63,277	63,243
Total remuneration from other subsidiaries	0	0
Total remuneration	542,427	511,168

The variable remuneration consists of a Euro 50,000 bonus based on medium/long-term objectives and a Euro 31,225 bonus based on short-term objectives.

There are no agreements envisaging an indemnity in the event of the early termination of employment nor for termination of office.

The executive director Stefano Salbe does not receive any specific remuneration for the office of director as this is included in his salary as manager of the company Digital Bros. His total remuneration was:

<i>Amounts in Euro</i>	Year ended 30 June 2015	Year ended 30 June 2016
Fixed remuneration for execution of mandate	0	0
Variable remuneration for execution of mandate	0	0
Total remuneration for execution of mandate	0	0
Fixed remuneration for managerial role	181,391	181,391
Variable remuneration for managerial role	90,810	58,519
Fringe benefits (car)	3,713	3,623
Non-compete agreement	34,823	35,345
Total remuneration for managerial role	310,737	278,878
Total remuneration from other subsidiaries	0	0
Total remuneration	310,737	278,878

The variable remuneration consists of a Euro 26,008 bonus based on medium/long-term objectives and a Euro 32,511 bonus based on short-term objectives.

There are no agreements envisaging an indemnity in the event of the early termination of employment. If the contract of employment and/or office should be terminated early, on the initiative of the employee or on the initiative of the Company due to gross misconduct, the right to receive medium/long-term variable remuneration will be lost, even if already vested.

Non-executive directors' fees

The non-executive director Dario Treves has been awarded annual remuneration for the execution of his office of Euro 6,600, whereas for his professional contract-related and legal services performed on behalf of the Group, he received Euro 244,260.

The non-executive director Davide Galante received Euro 72,000 as remuneration for the execution of his office as director, due to certain specific duties assigned to him by the Board of Directors.

The non-executive director Lidia Florean received Euro 6,600 as remuneration for the execution of her office as director, whereas for her work carried out on behalf of the subsidiary 505 Games S.p.A., she received Euro 60,000.

Non-executive directors do not receive variable remuneration nor are there any agreements envisaging an indemnity in the event of the early termination of office.

Independent directors' fees

The independent directors Guido Guetta, Elena Morini and Bruno Soresina receive the following amounts for the execution of their office:

Amounts in Euro	Guido Guetta	Elena Morini	Bruno Soresina
Fixed remuneration for execution of mandate	10,000	10,000	10,000
Fixed remuneration for Control and Risks Committee	10,500	3,500	3,500
Fixed remuneration for Remuneration Committee	5,000	2,000	2,000
Total independent directors' fees	25,500	15,500	15,500

The board member Guido Guetta receives Euro 7,000 for his services as Chairman of the Control and Risks Committee and Euro 3,000 for his services as Chairman of the Remuneration Committee, in addition to Euro 3,500 and Euro 2,000 received by the other two independent directors as acting members.

Independent directors do not receive variable remuneration nor are there any agreements envisaging an indemnity in the event of the early termination of office.

Board of Directors and key managers

Forename and surname	Office held	Period in office	End of term	Fixed remuneration	Remuneration for attending committee meetings	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for termination of office or employment
						Bonuses and other incentives	Profit sharing					
Abramo Galante	Chairman/MD	Since 1/7/2014	Approval of 2017 financial statements									
						Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				426,060		81,225		3,883		511,168		
(II) Remuneration from subsidiaries and associates												
(III) Total				426,060		81,225		3,883		511,168		
Raffaele Galante	MD	Since 1/7/2014	Approval of 2017 financial statements									
						Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				426,060		81,225		3,883		511,168		
(II) Remuneration from subsidiaries and associates												
(III) Total				426,060		81,225		3,883		511,168		
Stefano Salbe	CFO	Since 1/7/2014	Approval of 2017 financial statements									
						Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				216,736		58,519		3,623		278,878		
(II) Remuneration from subsidiaries and associates												
(III) Total				216,736		58,519		3,623		278,878		

Davide Galante	Director	Since 1/7/2014	Approval of 2017 financial statements									
						Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				72,000						72,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				72,000						72,000		
Forename and surname	Office held	Period in office	End of term	Fixed remuneration	Remuneration for attending committee meetings	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for termination of office or employment
Bruno Soresina	Independent director	Since 1/7/2014	Approval of 2017 financial statements									
						Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				10,000	5,500					15,500		
(II) Remuneration from subsidiaries and associates												
(III) Total				10,000	5,500					15,500		
Guido Guetta	Independent director	Since 1/7/2014	Approval of 2017 financial statements									
						Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				10,000	15,500					25,500		
(II) Remuneration from subsidiaries and associates												
(III) Total				10,000	15,500					25,500		

Elena Morini	Independent director	Since 1/7/2014	Approval of 2017 financial statements								
						Bonuses and other incentives	Profit sharing				
(I) Remuneration in the company that prepares the financial statements				10,000	5,500					15,500	
(II) Remuneration from subsidiaries and associates											
(III) Total				10,000	5,500					15,500	
Dario Treves	Director	Since 1/7/2014	Approval of 2017 financial statements								
						Bonuses and other incentives	Profit sharing				
(I) Remuneration in the company that prepares the financial statements				6,600					244,260	250,860	
(II) Remuneration from subsidiaries and associates											
(III) Total				6,600					244,260	250,860	
Lidia Florean	Independent director	Since 1/7/2014	Approval of 2017 financial statements								
						Bonuses and other incentives	Profit sharing				
(I) Remuneration in the company that prepares the financial statements				6,600						6,600	
(II) Remuneration from subsidiaries and associates				60,000						60,000	
(III) Total				66,600						66,600	

Board of Statutory Auditors:

Forename and surname	Office held	Period in office	End of term	Fixed remuneration	Remuneration for attending committee meetings	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for termination of office or employment
						Bonuses and other incentives	Profit sharing					
Sergio Amendola	Chairman	From 1/7/2015 to 15/1/2016				Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				14,040						14,040		
(II) Remuneration from subsidiaries and associates				7,500						7,500		
(III) Total				21,540						21,540		
Paolo Villa	Acting auditor and Chairman	From 1/7/2015 to 30/6/2016	Approval of 2017 financial statements			Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				25,480						25,480		
(II) Remuneration from subsidiaries and associates				10,400						10,400		
(III) Total				35,880						35,880		
Laura Guazzoni	Acting Auditor	From 1/7/2015 to 20/6/2016	Approval of 2017 financial statements			Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				22,000						22,000		
(II) Remuneration from subsidiaries and associates				0								
(III) Total				22,000						22,000		
Emanuela Maria Conti	Acting Auditor	Since 16/1/2016	Approval of 2017 financial statements			Bonuses and other incentives	Profit sharing					
(I) Remuneration in the company that prepares the financial statements				11,440						11,440		
(II) Remuneration from subsidiaries and associates				3,467						3,467		
(III) Total				14,907						14,907		

Simone Luigi Dalledonne	Acting Auditor	From 21/6/2016 to 30/6/2016	Approval of 2017 financial statements								
				Bonuses and other incentives	Profit sharing						
(I) Remuneration in the company that prepares the financial statements				0							
(II) Remuneration from subsidiaries and associates				0							
(III) Total				0							

Monetary incentive plans payable to members of the Board of Directors, general managers and other key managers:

A	B	(1)	(2)			(3)			(4)
Forename and surname	Office held	Plan	Bonus for the year			Prior year bonuses			Other bonuses
Abramo Galante	Chairman/MD		(A)	(B)	(C)				
			Payable/Paid	Deferred	Reference period	No longer payable	Payable/Paid	Still deferred	
(I) Remuneration in the company that prepares the financial statements		Plan A (13/11/2014)	31,225	50,000	3 years			50,000	
(II) Remuneration from subsidiaries and associates		Plan A							
(III) Total			31,225	50,000				50,000	

A	B	(1)	(2)			(3)			(4)
Forename and surname	Office held	Plan	Bonus for the year			Prior year bonuses			Other bonuses
Raffaele Galante	MD		(A)	(B)	(C)				
			Payable/Paid	Deferred	Reference period	No longer payable	Payable/Paid	Still deferred	
(I) Remuneration in the company that prepares the financial statements		Plan A (13/11/2014)	31,225	50,000	3 years			50,000	
(II) Remuneration from subsidiaries and associates		Plan A							
(III) Total			31,225	50,000				50,000	

A	B	(1)	(2)			(3)			(4)
Forename and surname	Office held	Plan	Bonus for the year			Prior year bonuses			Other bonuses
Stefano Salbe	CFO/Executive director		(A)	(B)	(C)				
			Payable/Paid	Deferred	Reference period	No longer payable	Payable/Paid	Still deferred	
(I) Remuneration in the company that prepares the financial statements		Plan A (13/11/2014)	32,511	26,008	3 years			25,946	
(II) Remuneration from subsidiaries and associates		Plan A							
(III) Total			32,511	26,008				25,946	

Table 7-ter envisaged by Annex 3A of the Issuers' Regulation

Equity interests held by members of boards of directors and statutory auditors and by general managers					
Forename and surname	Equity interest held in	No. of shares held as at 30/6/2015	No. of shares purchased	No. of shares sold	No. of shares held as at 30/6/2016
Abramo Galante	Digital Bros S.p.A.	4,904,267	-	-	4,904,267
Davide Galante	Digital Bros S.p.A.	253,728	-	-	253,728
Raffaele Galante	Digital Bros S.p.A.	4,678,736	-	-	4,678,736

The same table is not provided for key managers as there are no others apart from those who are members of the Board of Directors.