



## **Report on corporate governance and ownership structure**

**Pursuant to Article 123-bis of the Consolidated Finance Act  
(traditional governance model)**

**(Financial year 2018/2019)**

Date of approval: 12 September 2019

**Digital Bros S.p.A.**

Via Tortona, 37 – 20144 Milan, Italy VAT

Number and Tax Number 09554160151

Share Capital: Euro 6,024,334.80 of which Euro 5,704,334.80 subscribed Milan  
Register of Companies 290680-Vol. 7394 Chamber of Commerce No. 1302132

The report is available in the Investors section at

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

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## GLOSSARY

**Parent Company or Issuer:** Digital Bros S.p.A.

**Code/Corporate Governance Code:** the Corporate Governance Code for listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., the Italian Banking Association, ANIA, Assogestioni, Assonime and Confindustria.

**Civil Code:** the Italian Civil Code

**Board:** the Board of Directors of Digital Bros S.p.A..

**Financial Year/Reporting Period:** the year ended 30 June 2019 to which the Report relates.

**Group or Digital Bros Group:** collectively, the Issuer and its subsidiaries in terms of Article 93 of the Consolidated Finance Act.

**Issuers' Regulations:** the Regulations issued by Consob by means of resolution 11971 of 1999 for issuers, as subsequently amended.

**Market Regulations:** the Regulations issued by Consob by means of resolution 16191 of 2007 on the subject of markets, as subsequently amended.

**Related party regulations:** the Regulations issued by means of resolution no 17221 of 12 March 2010 (as subsequently amended) on related party transactions.

**CFA or the Consolidated Finance Act:** Legislative decree no 58 of 24 February 1998 (Consolidated Finance Act), as subsequently amended.

**Report/Report on Corporate Governance:** the report on corporate governance and the ownership structure prepared pursuant to Articles 123-bis and 89-bis of the Consolidated Finance Act.

**Remuneration Report:** the Report on Remuneration required by Article 123-ter of the CFA and approved by the Board of Directors together with the Report on Corporate Governance.

**Articles of Association:** the Articles of Association of Digital Bros S.p.A.

**Director in charge of internal control:** the director in charge of the internal control and risk management system pursuant to Art. 7.P.3 of the Corporate Governance Code.

## 1. PROFILE OF THE ISSUER

The Company's objects are the development, production, marketing and distribution, directly and/or indirectly, including through subsidiaries and/or investees, in Italy and worldwide, of entertainment products and services, including video games for personal computers and consoles, pertinent accessories and multimedia products in general.

Our corporate mission has been pursued via a process of internationalisation with the incorporation and/or the acquisition of companies to market the Group's products on major international markets and to develop new video games.

The Company is incorporated under Italian law and is listed on the STAR segment of Borsa Italiana's MTA market. It has complied with the implementation of the Corporate Governance Code. The Company has adopted a traditional governance model.

The Company's governance bodies are:

- Shareholders' general meetings
- Board of Directors
- Board of Statutory Auditors and internal control and audit committee;
- External auditors.

Shareholders' General Meeting expresses the wishes of the shareholders through the resolutions adopted. Resolutions passed in accordance with the law or the Articles of Association are binding on all shareholders, including absent or dissenting shareholders, without prejudice to the right of withdrawal for dissenting shareholders, where permitted. Shareholders' general meetings are convened in accordance with laws and regulations applicable to companies with securities listed on regulated markets in order to deliberate upon matters reserved for them by law.

The Board of Directors is vested with all powers of ordinary and extraordinary management and thus plays a permanent role in the governance of the Company, founded on the transparency and propriety of management decisions both within the Company and with regard to the market.

The Board of Statutory Auditors and the internal control and audit committee supervise compliance with the law and the Articles of Association and perform a management control function, especially with regard to principles of sound management and the adequacy of the Group's organisational structure. With effect from 7 April 2010, after Legislative Decree 39/2010 came into force following the adoption of Directive 200/43/EC, the Board of Statutory Auditors is responsible for certain tasks assigned by Art. 19 of the legislative decree to the internal control and audit committee. In more detail, this includes the supervision of:

- the financial reporting process;
- the effectiveness of internal control and risk management systems;
- the audit of the separate and consolidated financial statements;
- the independence of the external auditors.

In accordance with the law, the external auditors are appointed by the Shareholders' General Meeting from the audit firms enrolled in a register kept by Consob. The external auditors verify that the accounting records have been properly

maintained, that operating events have been duly recorded and that the separate and consolidated financial statements match the accounting records.

In addition, an Internal Control and Risk Management Committee and a Remuneration and Appointments Committee, as envisaged by the Code, have also been set up, together with a Permanent Committee on Related Party Transactions and a Supervisory Board as envisaged by Legislative Decree 231/2001.

The Issuer qualifies for classification as an SME in terms of Article 2-ter of Consob Regulation 11971 and Art 1(1)(w-iv 1) of the Consolidated Finance Act (Legislative Decree 58/1998), as shown by the figures in the following Table which was sent to Consob in April 2019:

| Euro thousand      |                     |                     |                            |                   |                    |                    |                    |                |               |               |               |
|--------------------|---------------------|---------------------|----------------------------|-------------------|--------------------|--------------------|--------------------|----------------|---------------|---------------|---------------|
| VAT AND TAX NUMBER | COMPANY             | FISCAL YEAR CLOSING | EFFECTIVE FROM FISCAL YEAR | AVG. MKT CAP 2017 | AVG. MKT CAP 2016* | AVG. MKT CAP 2015* | AVG. MKT CAP 2014* | REVENUE 2017** | REVENUE 2016* | REVENUE 2015* | REVENUE 2014* |
| 9554160151         | Digital Bros S.p.A. | 30/06               | 2000 (IPO)                 | 159.279.288       | 161.220.300        | 112.717.366        | 58.799.858         | 76.038.000     | 132.681.000   | 110.192.000   | 121.244.000   |

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (Art.123-bis (1) of the CFA)

This section provides information regarding the Company's ownership structure, in accordance with Art. 123-bis of the Consolidated Finance Act, insofar as it is applicable. The information is up to date as of 12 September 2019.

The information required by Article 123-bis (1) (l) on the appointment and replacement of directors is set forth in section 4.1, while the information required by subsection (i) is presented in the Remuneration Report.

### *a) Capital structure (pursuant to Art. 123-bis (1) (a) of the Consolidated Finance Act)*

Subscribed and paid share capital amounts to Euro 5,704,334.80.

Subscribed share capital consists of 14,260,837 ordinary shares with a par value of Euro 0.4 each.

| No of shares                  | % of share capital | Listed / Unlisted      | Rights and Obligations                                                                                                                                                         |
|-------------------------------|--------------------|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ordinary shares<br>14,260,837 | 100%               | MTA<br>STAR<br>Segment | The shares are nominal, freely transferable and indivisible. Each share grants the right to one vote at all of the Company's ordinary and extraordinary shareholders' meetings |

No shares with limited voting rights or without voting rights have been issued.

At the reporting date, Digital Bros S.p.A. had not issued any other classes of shares or financial instruments that confer the right to subscribe for newly issued shares.

On 11 January 2017, the Shareholders' General Meeting approved the "2016-2026 Stock Option Plan" aimed at a limited number of directors and managers of the Company and of the Group who were identified by the Board of Directors. The Plan will terminate on 30 June 2026 and envisages the allocation of a maximum number of 800,000 options as follows:

- a. 240,000 options on 1 July 2019;
- b. 240,000 options on 1 July 2022;
- c. 320,000 options on 1 July 2025.

The option exercise price shall be equal to the average listed price of Digital Bros recorded on the STAR segment of the MTA market in the six months prior to the grant date.

The options have been allocated as follows: 744,000 on 29 January 2017 at Euro 10.61 per share and 56,000 on 12 May 2017 at Euro 12.95 per share.

At the reporting date, the Company had not received any requests to exercise options.

Further information on the "2016-2026 Stock Option Plan" and on the capital increase to service the Plan is provided in the notes to the separate financial statements of the Company for the year ended 30 June 2019 and in the information document which may be found in the Governance section of the website at [www.digitalbros.com](http://www.digitalbros.com), as well as in the Remuneration Report.

*b) Restrictions on the transfer of securities (pursuant to Art. 123-bis (1) (b) of the CFA)*

There are no restrictions of any kind on the transfer of securities.

*c) Significant equity holdings (in terms of Art. 123-bis(1)(c) of the CFA)*

The Company qualifies as an SME, as defined in Art. 1 (1) (w-iv) (1) of the Consolidated Finance Act, as it meets the requirements laid down therein. Accordingly, the threshold for the disclosure of significant holdings pursuant to Art. 120 of the Consolidated Law is 5% of share capital with voting rights. According to the shareholder's register, and considering the notices received pursuant to Art. 120 of the Consolidated Finance Act, as of the date of this report, the following parties held, directly or indirectly, shares in the Company with voting rights, representing more than or equal to 5% of the share capital:

| <i>Declarant</i>        | <i>Direct shareholder</i> | <i>Shares declared</i> | <i>% of ordinary share capital</i> | <i>% of capital with voting rights</i> |
|-------------------------|---------------------------|------------------------|------------------------------------|----------------------------------------|
| <i>Abramo Galante</i>   | YES                       | 4,904,307              | 32.56%                             | 34.39%                                 |
| <i>Raffaele Galante</i> | YES                       | 4,678,736              | 31.07%                             | 32.81%                                 |

*d) Securities with special rights (pursuant to Art. 123-bis (1) (d) of the Consolidated Finance Act)*

The Company has not issued any securities that confer special rights of control. The Articles of Association do not provide for the possibility of issuing shares with increased voting rights.

- e) *Employee share ownership: mechanism for exercise of voting rights (pursuant to Art. 123-bis (1) (e) of the Consolidated Finance Act)*

There is no special mechanism for the exercise of voting rights in case of employee share ownership.

- f) *Restrictions on voting rights (pursuant to Art. 123-bis(1)(f) of the Consolidated Finance Act)*

There are no restrictions of any kind on voting rights.

- g) *Shareholder agreements (pursuant to Art. 123-bis (1) (g) of the Consolidated Finance Act)*

The Company is not aware of any shareholder agreements pursuant to Art. 122 of the Consolidated Finance Act.

- h) *Change of control clauses (pursuant to Art. 123-bis(1)(h) of the CFA) and provisions contained in the Articles of Association on takeover bids (pursuant to Arts. 104 paragraph 1-ter and 104-bis paragraph)*

Neither the Company nor its subsidiaries have entered into agreements that might come into force, be terminated and/or be amended as a result of a change of control of the Issuer.

The Company has not entered into any agreements with directors providing for indemnities for directors in the event of resignations, dismissal or removal without cause, or in the event of termination of employment following a public takeover bid.

The Articles of Association do not derogate from the passivity rule provided for in Art. 104 (1) and (2) of the Consolidated Finance Act and, since there are no limitations on the transfer of shares or limitations on voting rights, the Articles of Association do not provide for the application of the neutralisation rules envisaged in Art. 104-bis (2) and (3) of the Consolidated Finance Act.

- i) *Delegated powers regarding share capital increases and powers to authorise the purchase of treasury shares (pursuant to Art. 123-bis (1) (m) of the Consolidated Finance Act)*

No powers to authorise share capital increases have been granted to the Board of Directors.

Pursuant to Art. 6 of the Articles of Association, share capital may be increased or reduced by resolution of an extraordinary Shareholders' Meeting in accordance with the law. In the event of capital increases, contributions may be made in cash, in kind or via accounts receivable, in accordance with Article 2342 of the Civil Code. In the event of a share capital increase or the issuance of convertible bonds, the shareholders have the right of pre-emption in accordance with the law and the Articles of Association.

An Extraordinary Shareholders' Meeting may grant the directors the power to increase share capital, on one or more occasions, for a maximum of five years from the date of the resolution, up to the amount determined in the resolution. Such power may also extend to the adoption of the resolutions provided for in Arts. 2441 (4) and (5) of the Civil Code and in accordance with Art. 2441 (6). Without prejudice to all other provisions governing share capital increases, share capital may be increased without the right of pre-emption, in accordance with article 2441 (4) of the Civil Code, by the

Shareholders' Meeting or the Board of Directors, provided that such power has been delegated to the latter, within the limits of 5% of pre-existing share capital, including by cash contribution, on condition that the issue price corresponds to the market value of the shares, as confirmed by a specific report by the external auditors.

Pursuant to Art. 2349 (1) of the Civil Code, an Extraordinary Shareholders' Meeting may authorise the allocation of earnings and/or earnings reserves to employees of the Company and its subsidiaries by issuing special classes of shares, of an amount corresponding to those earnings and/or earnings reserves.

On 27 October 2017, a Shareholders' General Meeting resolved to grant the Board the power to:

- a. purchase treasury shares for a period of 18 months;
- b. hold the treasury shares with no time restraints, in accordance with the terms of Article 2357 of the Civil Code and Articles.132 and 125-ter of the CFA, as well as in compliance with Article 73 of the Issuers' Regulations. Purchase transactions must respect a minimum and maximum price compared to the Stock Market price of Digital Bros shares, as determined based on the criteria set out in detail in the General Meeting resolution. In any case, purchases shall be contained within the limits of the distributable earnings and the available reserves reported in the latest financial statements (including interim financial statements) approved at the date the transaction takes place. Upon the purchase and disposal of ordinary and/or savings treasury shares, the necessary accounting entries shall be made, in compliance with the law and applicable accounting standards.

As at 30 June 2019, the Company did not hold any treasury shares and none have been traded since that date. The General Meeting of 29 October 2018 did not pass any resolutions regarding the purchase and holding of treasury shares.

*l) Management and coordination activities (in terms of Art. 2497 of the Civil Code)*

The Company is not subject to management control and coordination by other companies.

### **3. COMPLIANCE (pursuant to Art.123-bis(2)(a) of the CFA)**

The Company has adopted the Corporate Governance Code.

The governance model adopted by the Issuer takes account of the Company's size, shareholder structure, business segment and the complexity of its operations. Any departures from the Code are described in the various sections herein which also contain an explanation as to why a different system has been adopted and by which governance body.

The Corporate Governance Code is available on the Internet site [www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm](http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm).

The governance structure adopted is not influenced by non-Italian provisions of law in relation to either the parent company, Digital Bros S.p.A. or its subsidiaries of strategic importance.

### **4. BOARD OF DIRECTORS**

The Company amended its Articles of Association by means of a Shareholders' Meeting resolution of 28 October 2013

in order to reflect the changes required by Legislative Decree 27 of January 2010 and Law 120/2011.

#### **4.1 Appointment and replacement of Directors (pursuant to Art. 123-bis (1)(I) of the CFA)**

Pursuant to Art. 16 of the Articles of Association, the Board of Directors may be composed of a minimum of five to a maximum of eleven members, as determined by the Shareholders' Meeting, provided that a number of independent directors consistent with the law is ensured.

The Shareholders' Meeting held on 26 October 2018 set the number of the members of the Board at ten. Unless otherwise established upon appointment, members of the Board of Directors remain in office for three financial years and their mandates shall expire on the date of the Shareholders' Meeting convened to approve the financial statements for the year ended 30 June 2020.

In order to ensure that the non-controlling shareholders are able to elect a member of the Company's Board of Directors, pursuant to Art. 16 of the Articles of Association, the Board of Directors is appointed on the basis of lists submitted by the shareholders, in which the candidates are listed with sequential numbers. Shareholders who, at the time of submission, hold an equity interest of not less than the amount established by applicable legislation and in accordance with the Issuers' Regulation, may submit a list for the appointment of directors. Each shareholder, or shareholders who are members of a voting syndicate, may not submit more than one list or vote for more than one list, including through nominees or a fiduciary company. Each candidate may be presented on one list only, otherwise they shall be declared ineligible.

The lists submitted must be signed by the shareholders and filed with the Company's registered office by the deadlines established by applicable legislation. The following must be filed along with each list, by the deadlines indicated above:

- statements in which individual candidates accept their candidacy and certify, under their own responsibility, that there are no reasons of ineligibility or incompatibility and that they meet the requirements prescribed by the law and the Articles of Association for their respective offices;
- curricula vitae containing each candidate's personal and professional characteristics, with an indication, where appropriate, that the candidate qualifies as independent;
- certification issued by an authorised broker in accordance with the law attesting to ownership of the number of shares required to submit a list. This documentation may be submitted subsequently but prior to the deadline laid down by the Consolidated Finance Act.

Lists for which the foregoing requirements have not been met will be disregarded. The election of the Directors takes place as follows:

- all but one of the members of the Board of Directors, in the number determined by the Shareholders' Meeting from time to time, shall be drawn from the list that has obtained the greatest number of votes in the Shareholders' Meeting, in accordance with applicable gender balance provisions, in the sequential order in which they are presented in the list;
- one member of the Board of Directors and, specifically, the first candidate who satisfies the independence

requirements established by applicable legislation, in the sequential order in which the candidates are presented in the list, shall be drawn from the list that has obtained the second-greatest number of votes in the Shareholders' Meeting. However, for this purpose, lists that have not obtained a percentage of votes equal to at least half that required to submit a list will not be considered.

If the candidates elected per the above procedure do not lead to a composition of the Board of Directors that is compliant with applicable gender balance provisions, the candidate of the less represented gender elected as the last in sequential order in the majority list will be replaced by the first candidate of the less represented gender not elected from the majority list according to the sequential order. This procedure will be applied until the composition of the Board of Directors is compliant with applicable gender balance provisions. If the foregoing procedure does not lead to a composition of the Board of Directors that is compliant with applicable gender balance provisions, the last substitution will be made by resolution passed by the Shareholders' Meeting by relative majority, following the nomination of candidates of the less represented gender.

If just one list of candidates is submitted in accordance with applicable gender balance provisions, all directors will be elected from that list. If no lists are submitted or if, for any reason, the directors are not appointed according to the procedure envisaged herein, the Shareholders' Meeting will appoint the directors by resolution passed with the legally-required majorities, in accordance with applicable gender balance provisions. When appointing directors in cases other than the election of the entire Board of Directors, the Shareholders' Meeting shall pass resolutions with the majorities required by the law and Articles of Association, without following the above procedure, but without prejudice to compliance with applicable gender balance provisions.

The lists of candidates for office are also published on the Company's website.

Pursuant to Art. 17 of the Articles of Association, if the Shareholders' Meeting has failed to do so, the Board of Directors shall elect a Chairman from among its members.

The Board of Directors may delegate part or all of its powers to one or more managing directors and/or to an executive committee, without affecting the limits established by law and by the Articles of Association.

Pursuant to Art. 16 of the Articles of Association, if a majority of the directors appointed by the Shareholders' Meeting leaves office, the entire Board of Directors is dismissed. In this case, the directors dismissed from office must promptly convene a Shareholders' Meeting to appoint the entire Board of Directors. The Board of Directors remains in office until the new board is elected.

There are no appropriate mechanisms for ensuring the election of the minimum number of independent directors. There are mechanisms in place to ensure that the directors to be elected are allocated according to a criterion that ensures gender balance, in accordance with Art. 147-ter (1) of the Consolidated Finance Act.

The Articles of Association do not establish additional independence requirements on top of those imposed on members of the Board of Statutory Auditors by Art. 148 of the Consolidated Finance Act, unless provided for by the Code.

The Company is not subject to additional legislation other than the Consolidated Finance Act with regard to the

composition of the Board of Directors.

With regard to application criterion 5.C.2 of the Corporate Governance Code, as the two Managing Directors are also the main shareholders of the Company, the Board of Directors of Digital Bros S.p.A. has decided that it need not adopt specific succession plans for executive directors.

#### **4.2 Composition of the Board of Directors (pursuant to Art. 123-bis (2) (d) of the Consolidated Finance Act)**

Art. 16 of the Articles of Association provides that the Company shall be managed by a Board of Directors composed of a minimum of five up to a maximum of eleven members. Before appointing the members, the Shareholders General Meeting determines their number and period of office.

The Directors must satisfy the requirements of applicable legislation. A number corresponding to the minimum established by legislation must satisfy independence requirements.

Reference should be made to the attached Table 1, which presents the composition of the Board of Directors and committees at the reporting date.

##### *Composition of the Board of Directors*

The Board of Directors as of 30 June 2019 has ten members. It was appointed by the Shareholders' General Meeting of 27 October 2017 and will remain in office until approval of the financial statements for the year ended 30 June 2020. A single list was submitted to the Shareholders' General Meeting by Abramo Galante and Raffaele Galante. The list of candidates was as follows:

| <b>Name and surname</b> | <b>Office</b>                      |
|-------------------------|------------------------------------|
| Lidia Florean           | Non-Executive Director             |
| Abramo Galante          | Chairman and Managing Director     |
| Raffaele Galante        | Managing Director                  |
| Davide Galante          | Non-Executive Director             |
| Guido Guetta            | Non-Executive/Independent Director |
| Luciana La Maida        | Non-Executive/Independent Director |
| Irene Longhin           | Non-Executive/Independent Director |
| Elena Morini            | Non-Executive/Independent Director |
| Stefano Salbe           | Executive Director                 |
| Bruno Soresina          | Non-Executive/Independent Director |
| Dario Treves            | Executive Director                 |

The candidates were elected by votes representing 100% of the voting capital.

The independent directors fulfil the independence requirements established by Art. 147-ter of the Consolidated Finance Act and the additional requirements laid down by the Corporate Governance Code. Seniority details are provided in the

## Summary Tables.

- Non-Executive Director Bruno Soresina passed away on 6 August 2018. Non-Executive Director Elena Morini resigned from the Board of Directors for personal reasons on 13 September 2018. On 26 October 2018, following the death of Director Bruno Soresina and the resignation of Director Elena Morini, a Shareholders' General Meeting of Digital Bros S.p.A. resolved that the Company Board of Directors would have ten members – an eleven member Board had previously been approved by the General Meeting of 27 October 2017 – and appointed Paola Mignani as a Director; she later gave up the appointment on 5 June 2019 because of the number of offices held by her. On 8 November 2018, independent Director Guido Guetta resigned from the Board of Directors for personal reasons. On 6 June 2019, Paola Carrara and Susanna Pedretti were co-opted onto the Board as new independent directors thus restoring the number of Board members to ten, as approved by the Shareholders' General Meeting of 26 October 2018. The two new directors will remain in office until the next Shareholders' General Meeting.

Some of the personal and professional details of each member of the Board of Directors at 30 June 2019, after the changes that occurred during the period, are provided below:

### Paola Carrara

Born in Bergamo on 5 August 1976. Italian.

Has a degree in Business Economics from the University of Bergamo. An experienced auditor and accountant with many years of experience with manufacturing groups and service companies, as well as in the financial sector with major listed Italian and international banking groups where she also handled accounting and valuation issues in relation to extraordinary transactions. Was the Head of Internal Audit for a listed publishing group and worked as senior manager for a leading audit firm where she gained vast experience of assurance services, also on an international level. Is the Chairman of the Board of Statutory Auditors of Banca Farmafactoring S.p.A. and an independent member of the Board of Directors of Cembre S.p.A..

### Lidia Florean

Born in Portogruaro (VE) on 26 September 1951. Italian. Has served the Digital Bros Group since 1990.

### Abramo Galante

Born in Beirut on 20 April 1963. Italian.

Together with his brother, Raffaele Galante, he founded Digital Bros S.p.A. which has become one of Italy's foremost video game distributors. He heads Digital Bros Group's Business Development Department.

He holds office in Digital Bros Group companies: Chairman and managing director of 505 Games S.p.A. and Game Network S.r.l., Director of 505 Games Ltd., Sole director of 505 Mobile S.r.l., Game Entertainment S.r.l. and Kunos Simulazioni S.r.l., Director of Digital Bros Game Academy S.r.l., 505 Games (US) Inc., 505 Games Interactive Inc., Pipeworks Inc., Dr Studio Ltd., 133 W. Broadway Inc., Matov LLC and Hawken Entertainment Inc.

### Raffaele Galante

Born in Beirut on 7 May 1965. Italian.

Together with his brother, Abramo Galante, he founded Digital Bros S.p.A. which has become one of Italy's foremost

video game distributors. He is in charge of the Digital Bros Group's Sales and Marketing Activities.

He holds office in Digital Bros Group companies: Director of 505 Games S.p.A. and 505 Games Ltd., Sole director of Game Service S.r.l., Director of Game Network S.r.l., 505 Games US Inc., 505 Games Interactive Inc., 505 Games Mobile Inc., Pipeworks Inc., Dr Studio Ltd., 133 W. Broadway Inc., Matov LLC and Hawken Entertainment Inc., Sole director of 505 Games Spain Slu and 505 Games France S.a.s., Chairman and managing director of Digital Bros Game Academy S.r.l.

He is a Director of MATOV LLC.

**Davide Galante**

Born in Damascus, Syria, on 11 January 1933. Italian.

Founded Digital Bros S.p.A: with his sons, Abramo and Raffaele Galante, while continuing to carry out entrepreneurial and commercial activity in the textiles industry.

**Luciana La Maida**

Born in Milan, Italy, on 24 April 1977. Italian. Graduated in Education Science Nata in 2001 from Università Cattolica del Sacro Cuore of Milan. She has worked in the Human Resources Department of several multinationals including the Walt Disney Company Italia and the Hay Group.

Since 2011, has been a lecturer in Relationship Psychology in the Department of Economics of the Università Cattolica del Sacro Cuore of Milan. Since January 2005, she has worked as Human Resources consultant, providing business counselling services and support with the handling of Change Management issues and/or processes.

**Irene Longhin**

Born in Sesto San Giovanni, Milan, Italy on 12 November 1969. Italian.

Has a degree in Public Relations from the University of Modern Languages of Milan.

She began her career in 1995 with Edelman Public Relations before moving to the Communications Departments of the Zurigo Insurance and Financial Services Group, Hill&Knowlton, Burson-Marsteller and Image Building. In 2010, with two partners, she founded DDL studio, a communications firm focusing on corporate, cultural and financial communications.

**Susanna Pedretti**

Born in Milan on 26 July 1977. Italian.

Has a degree in Law from the University of Milan. Member of the Milan Bar Association.

Susanna is an expert in Compliance matters under Legislative Decree 231/2001 and in internal control and Corporate Governance systems for listed companies, in particular. She has dealt with compliance in the pharmaceutical and biomedical industry and with the assessment of Anti-Corruption Systems in the Public Administration. She has taken part in corporate internal control assessment projects and has helped draft and implement improvement, monitoring and audit plans. She is an independent member of the Boards of Directors of Ambientthesis S.p.A. and FullSix S.p.A. and is a member of several Supervisory Boards in terms of Legislative Decree 231/2001.

Stefano Salbe

Born in Milan, Italy, on 10 March 1965. Italian.

Has a degree in Business Economics from Università Bocconi, Milan.

He began his career in 1990 as an auditor with Deloitte & Touche. In 1995, Stefano became Group Financial Analyst at Eaton Automotive. From 1996 to 2000, he served as Chief Financial Officer of Austin Italia Group. Since 2000, he has been the CFO of Digital Bros Group since 2000. Sole director of 505 Games GmbH, Director of 505 Games S.p.A., Game Network S.r.l., 505 Games Interactive Inc. and 505 Games Mobile US Inc. and General Manager of 505 Games Spain Slu. Since June 2009, he has been a Director of Swedish company Starbreeze AB which is listed on the Nasdaq First North Premiere market.

Dario Treves

Born in Milan, Italy, on 2 March 1968. Italian.

Has a degree in Law from Università degli Studi, Milan.

Member of the Milan Bar Association and counsel to the Court of Cassation.

Has served Digital Bros Group since 1999 and holds the position of General Counsel.

Owner of a law firm with specific expertise in civil, procedural and bankruptcy law.

Each member of the Board of Directors is required to deliberate in an informed, autonomous manner, while pursuing the objective of creating value for the shareholders and is required to inform the Board of Directors of any positions as director or statutory auditor with companies listed on regulated markets in Italy or abroad, or with finance, banking, insurance companies or companies of significant size.

There have been no changes in the composition of the Board since the reporting date.

#### *Diversity policies*

Since the appointment of new Digital Bros corporate governance bodies in 2015, gender balance has been achieved in the composition of the Board of Directors and the Board of Statutory Auditors, as required by Law no 120 of 12 July 2011 (“Law 120/2011”), by the Consolidated Finance Act, by Consob Resolution no 18098/2012 and by the Italian Civil Code. In more detail, Law 120/2011 provides that, upon the first renewal of the Board of Directors and the Board of Statutory Auditors a year after the law comes into force, a share of at least one-fifth of the Directors and the Statutory Auditors elected shall be reserved for the less well represented gender with a share of at least one third reserved for that gender in the next two appointment periods. Upon the first renewal of its Board of Directors on 27 October 2017, the Digital Bros Shareholders’ General Meeting appointed four female members to the Board of Directors, in accordance with the requirements of Law 120/2011. As a result of recent changes in its composition, the Board currently has an equal number of male and female members.

Moreover, the characteristics of the members of the Board of Directors are such as to guarantee an appropriate level of diversity, not only in terms of gender but also with regard to factors like age and professional and educational background.

During the reporting period, the Company adopted a diversity policy in terms of Article 123-bis (2-d-bis) of the CFA. The policy is available in the Corporate Governance section of the Company website.

Given the limited number of employees, the Group has concluded there was no need to adopt any particular measures to promote equal gender treatment and opportunity.

#### *Maximum number of offices that may be held in other companies*

In accordance with the provisions of the Code on the role of the Board of Directors and the effective performance of its functions, the Board of Directors, via a Board resolution, has expressed its stance on the maximum number of directorships, establishing the limits that may be regarded as compatible with the effective fulfilment of the office of director. Directors may not serve as director of more than five other companies listed on regulated markets (in Italy and internationally), in finance, banking or insurance companies, or in companies of significant size, and must undertake, upon accepting the position of director, to dedicate the necessary time to the diligent performance of their duties, bearing in mind the other offices accepted. Group companies are not to be considered for the purposes of the maximum number of offices held in other companies.

The current composition of the Board of Directors is consistent with the above general criteria.

#### *Induction Programme*

The Chairman of the Board has ensured that, after their appointment and during their term of office, directors may take part in initiatives aimed at increasing their knowledge of the Group's sector of operation, including through participation in company events, trade fairs, etc.

### **4.3 Role of the Board of Directors (pursuant to Art. 123-bis (2) (d) of the Consolidated Finance Act)**

The Board of Directors bears exclusive responsibility for managing the Company and undertakes the transactions required for the pursuit of the corporate objectives.

Pursuant to Art. 18 of the Articles of Association, meetings of the Board of Directors - without prejudice to the powers of convocation reserved for the Board of Statutory Auditors in the cases provided for by law - are convened by the Chairman of the Board of Directors, according to the conditions indicated therein, or at the written request of any member. Said Art. 18 of the Articles of Association also provides that there must be at least four days between the day on which the notice convening the meeting is sent and the scheduled date of the meeting. However, in urgent cases, this period may be shorter, but never less than one day. The calendar of meetings at which annual and interim results are to be examined was submitted to Borsa Italiana by the established deadline and has been published on the Company's website.

The Board of Directors hold all powers of ordinary and extraordinary management of the Company, with the express prerogative of undertaking all acts deemed appropriate for the achievement of the Company's objectives, as provided by Article 20 of the Articles of Association, excluding only those reserved for the Shareholders' Meeting by the law and the Articles of Association. The following powers are reserved solely for the Board of Directors under the Company's Articles of Association:

- a) to appoint the executive committee, where applicable, and to establish the term of office, powers and

- remuneration of its members;
- b) to allocate the remuneration awarded to the Board of Directors to individual directors and managing directors, in consultation with the Board of Statutory Auditors;
  - c) to set up any committees and commissions with a consultative role and to determine their powers, duties and operating procedures;
  - d) to report to shareholders during Shareholders' Meetings;
  - e) to report to the Board of Statutory Auditors, at least quarterly, on the activities performed and the transactions considered most significant.

Based on company practice and the Articles of Association, the Board of Directors is exclusively responsible for:

- a) examining and approving the strategic, business and financial plans of the Company and the Group, the corporate structure of the Group and the Company's corporate governance;
- b) determining the nature and level of risk compatible with the issuer's strategic objectives, taking account of all the risks that may prove to be significant in terms of medium to long term sustainability of the issuer's operations;
- c) verifying the adequacy of the organisational and administrative and accounting structure of the Company and the Group, with particular regard to the internal control system and conflict of interest management;
- d) granting and revoking delegated powers to the managing directors and establishing their limits and conditions of exercise;
- e) supervising general operating performance, with a particular focus on situations of conflict of interest, taking into account the information received from the managing directors and the internal control and risks committee and periodically comparing actual and planned results;
- f) examining and approving in advance the transactions of the Company and its subsidiaries of significant strategic and financial importance, with a particular focus on situations of potential conflict of interest and related party transactions;
- g) drafting and adopting the Group's corporate governance rules;
- h) establishing the frequency with which the managing directors report to the Board of Directors;
- i) conducting an assessment, at least once a year, of the size, composition and functioning of the Board of Directors and committees instituted. By virtue of this assessment, it expresses opinions for the shareholders of the professionals whose presence on the Board of Directors is deemed appropriate, prior to the appointment of the new Board of Directors;
- j) providing information in the corporate governance report concerning (1) its composition, with an indication for each member of his or her position, role within the Board of Directors, main characteristics and length of service; (2) the methods of application of Art. 1 of the Corporate Governance Code, the number and average duration of meetings of the Board of Directors and the attendance in percentage terms of each director; (3) the conditions of the process of evaluation of the functioning of the Board of Directors and committees instituted;
- k) adopting, on proposal by a managing director or the Chairman of the Board of Directors, a procedure for the internal management and disclosure of documents and information concerning the issuer, with particular regard to privileged information;
- l) expressing its stance on the maximum number of positions of director or statutory auditor at companies listed

on regulated markets (Italian and abroad), at finance, banking or insurance companies, or companies of significant size, considering the participation of the directors in the committees instituted;

- m) approving commitments of any nature with a duration of more than five years;
- n) approving commitments that relate to leases with a term of more than two years and the purchase of real properties.

The Chairman of the Board of Directors ensures that the information and documents relevant to the decisions within the scope of responsibility of the Board of Directors are made available to the members of the Board of Directors and the Board of Statutory Auditors, in the manner and with the timing deemed appropriate. Managers of the Company and the Group participate in meetings of the Board of Directors in order to provide the necessary clarification concerning on items on the agenda.

The rules and procedures of the Board of Directors provide that the Chairman shall ensure that adequate information is provided in good time to all Directors concerning the order of business on the agenda for each meeting. If the order of business relates to initiatives of an ordinary nature, the relevant documents, where available, are normally forwarded two business days prior to the scheduled date of the meeting of the Board of Directors, unless particular confidentiality considerations urge otherwise, with especial regard to privileged data or information. The Chairman of the Board of Directors assesses initiatives of an extraordinary nature on a case-by-case basis. These time requirements were respected during the reporting period.

In the year ended 30 June 2019, the Board of Directors met ten times, with an average duration of one hour and 35 minutes. For the financial year ending 30 June 2020, five meetings of the Board of Directors are scheduled, two of which have already been held.

The dates of meetings of the Board of Directors for the review of financial information are published in advance. The meeting of the Board of Directors held to approve the annual financial statements is also announced in advance. The financial calendar is available from the Company's website.

Information was not withheld in advance from members of the Board of Directors for reasons of confidentiality in relation to any matters discussed at meetings of the Board of Directors during the reporting period.

The Board of Directors has evaluated and approved the organisational, administrative and accounting structure, with particular regard to the internal control system and the risk and conflict of interest management of the Issuer and Group companies. The evaluation was conducted with the aid of the internal control and risk management committee which, during its meetings, verified the effective functioning of the internal control system on an ongoing basis.

On 8 October 2018, the Board of Directors conducted its annual assessment, pursuant to application criterion 1.C.1 g) of the Code and concluded that the size, composition and functioning of the Board of Directors and its committees were adequate for to the Company's management and organisational requirements. The assessment took account of the professional characteristics and managerial and professional experience of its members and considered the fact that the current Board of Directors is composed of ten directors, six of whom are non-executive directors (with four of them independent directors), in accordance with the criteria set forth in Art. 148 (3) of the Consolidated Finance Act and in

the Code. In conducting this assessment, the Board did not use the assistance of external consultants. This analysis was carried out taking account of the complexity and size of the Company and the Group, as well as the residual period of appointment of the Board. As part of its duties, the Board of Statutory Auditors verified the proper application of the criteria and procedures adopted by the Board of Directors in assessing the independence of its members.

On 12 September 2017, in view of the reappointment of the Board, the Board of Directors provided guidance to the shareholders on the managerial and professional experience considered appropriate for membership of the Board.

On 27 October 2017, a Shareholders' General Meeting approved the annual remuneration for the entire Board of Directors of Euro 1,150,000.00. The remuneration of each director was approved by the Board of Directors, in consultation with the Board of Statutory Auditors and the Remuneration Committee. The Company implements a remuneration policy for governance bodies that provides for incentives linked to achievement of targets.

The amount of the remuneration received by members of the Board of Directors during the year ended 30 June 2019 is detailed in the Remuneration Report.

The Board of Directors assessed the general operating performance and conducted a quarterly comparison of actual and forecast results.

On 11 November 2010, the Board of Directors approved the procedure on the realisation of significant transactions in which a director has an interest. The procedure is available in the Corporate Governance section of the Company's website at [www.digitalbros.com](http://www.digitalbros.com).

The prior approval of the Company's Board of Directors is required for transactions to be carried out (including through the execution of binding preliminary agreements or master agreements) by the Company or by its subsidiaries falling into the following categories, as they are deemed to be significant transactions:

- a) mergers, demergers, disposals, and acquisitions, in any form, of equity interests in companies, businesses or business units;
- b) investments in property, plant and equipment that exceed Euro 1,000,000 per transaction;
- c) leases (or sub-leases) for property or leases (or sub-leases) of businesses or business units with a term of more than nine years or for an amount that exceeds Euro 1,000,000 per transaction;
- d) settlements of disputes, in or out of court, involving amounts that exceed Euro 1,000,000 per transaction;
- e) disposals of operating assets with a total value of more than Euro 1,000,000 per transaction;
- f) the granting of loans or guarantees that exceed Euro 3,000,000 per transaction, if in the interest and/or for the benefit of companies (or associations, foundations, consortia or entities) directly or indirectly controlled by the Company, or Euro 500,000 if for or in the interest of third parties;

In order to avoid hindering the ordinary management of the Company, the transactions indicated in point d) may be carried out by the managing directors if appropriate information is submitted to the Directors and Statutory Auditors and they may be subsequently ratified by the Board of Directors.

In accordance with applicable laws, regulations and the Articles of Association, the Board of Directors is responsible for prior review and approval of Group transactions in which one or more directors have an interest, on their own account

or on account of third parties.

Related party transactions entered into by Group companies are reserved for the prior review and approval of the Board of Directors. On 11 November 2010, the Board of Directors approved the procedure for related party transactions to reflect the amendments introduced by Consob resolution 17221 of 12 March 2010. General criteria have been established for the identification of significant related party transactions. The procedure is available in the Corporate Governance section of the Company's website at [www.digitalbros.com](http://www.digitalbros.com).

A Shareholders' General Meeting has authorised exceptions to the non-competition requirements of Art. 2390 of the Civil Code. The Board of Directors has not had to examine any cases of this nature.

#### **4.4 Governance bodies**

##### ***Managing directors***

Abramo Galante and Raffaele Galante have been appointed as Managing Directors.

At the meeting held on 27 October 2017, still in pursuit of an efficient, flexible system for the management of the Company's operations, the Board of Directors granted the Managing Directors all powers of ordinary and extraordinary management, except for those reserved for the Board of Directors by law, by the Articles of Association or by a specific resolution of the Board of Directors.

In any event, all decision-making powers and powers of ordinary and extraordinary administration involving amounts in excess of Euro 5,000,000.00 must be exercised with the joint signature of both Managing Directors.

The interlocking directorate situation envisaged by criterion 2.C.6 of the Code does not apply.

##### ***Chairman***

The Chairman convenes the Board of Directors at the Company's registered office, or at another location outside Italy but in a member state of the European Union, and ensures that the members of the Board of Directors receive the documentation and information necessary to enable the Board to express its position, in an informed manner, on the subjects put before it for examination and approval, suitably in advance of the date of the meeting, except in cases of necessity and urgency.

Pursuant to the law and the Articles of Association, the Chairman holds the power of legal representation of the Company and the power of signature for all legal transactions. The Chairman has also received delegated management powers as Managing Director.

The Chairman is the person primarily responsible for the management of the Group and is not a controlling shareholder of the Company.

The Chairman ensures that all Directors participate in initiatives to increase their knowledge of the industry, the Company's situation and dynamics and the applicable legislative framework so that they can draw on their various professional skills and perform their roles effectively.

### ***Executive committee***

No Executive Committee has been established.

### ***Reporting to the Board of Directors and to the Board of Statutory Auditors***

During the reporting period, at the earliest possible meeting and at least quarterly, the Managing Directors reported to the Board of Directors on the activities carried out in exercise of the powers delegated to them and on the most significant transactions.

#### **4.5 Other executive directors**

Pursuant to application criterion 2.C.1 of the Code, the executive directors are: Stefano Salbe who serves the Issuer in an executive capacity and, in particular, holds positions as Group Chief Financial Officer, Executive Director in charge of internal control and risk management, Chairman of German subsidiary 505 Games GmbH and General Manager of 505 Games Spain Slu; and Dario Treves who acts as General Counsel to the Group.

#### **4.6 Independent directors**

On 8 November 2018, on the basis of information provided by each Director, the Board of Directors checked that its members satisfied the independence requirements established by Art. 148 (3) of the Consolidated Finance Act and Art. 3 of the Corporate Governance Code and duly established the independence of Directors Luciana La Maida, Irene Longhin and Paola Mignani who confirmed that they met the independence requirements laid down in Art. 148 (3) and (4) of the Consolidated Finance Act and that, pursuant to the Code, none of the circumstances envisaged in 3.C.1 and 3.C.2 of the Corporate Governance Code or any other situations undermined their qualification as independent directors. On 8 November 2018, pursuant to Art. 3.C.4. of the Code, the Board also established as a qualitative/quantitative criterion for independence assessment purposes the fact that the relationship between an independent director and the Issuer in the current year or in prior year (Art. 3.C.1.c of the Code) would be considered significant if the economic consideration i.e. the sum of the fees for any relations with the Group was equal to twice the total fee for the engagement or greater than 30% of the total annual income of the independent director.

Following the resignation of Director Paola Mignani and the co-opting of Paola Carrara and Susanna Pedretti as directors, the Board assessed the independence of the new directors during the meeting held on 6 June 2019.

The independent directors have undertaken to remain independent for the duration of their terms of office and to inform the Board of Directors in a timely manner of any situations that might jeopardise their independence.

The independence assessment was conducted in accordance with the application criteria laid down in the Code and the prudent view of the Board of Directors, with the Director involved in each case abstaining. In particular, on the basis of the information made available by the interested parties and/or otherwise available, the Board of Directors assessed the relationships that normally undermine independence and concluded that the existing relationships are not such as to compromise the autonomy of judgement of the interested parties, in consideration of their professionalism.

The Board of Statutory Auditors has verified the proper application of the assessment criteria and procedures adopted by the Board of Directors in assessing the independence of its members and has not made any observations.

The non-Executive Directors and independent directors are sufficient in terms of number and authority to ensure that

their judgement may have a significant bearing on the Issuer's decision-making process. Non-executive directors and independent directors bring their specific expertise to bear on discussions within the Board of Directors and thereby contribute to the decision-making process in a manner consistent with the Company's interests.

During the period ended 30 June 2019, in light of the aforementioned changes regarding the independent directors, no meetings of the independent directors only were held. It should be noted, however, that a meeting of all of the independent directors has already been held during the current reporting period, on 12 September 2019.

The contribution made by the independent directors enables the Board of Directors to check whether a duly independent approach has been followed in examining cases of potential conflict of interest involving the Company and its controlling shareholders.

#### **4.7 Lead independent director**

On 27 October 2017, given greater number of Board members and the increased number of non-executive, independent directors, the Board of Directors designated independent director Guido Guetta as Lead Independent Director, in accordance with the recommendations contained in Article 2.C.4 of the Code. He was given the following duties as recommended by Article 2.C.5 of the Code:

- a) to act as a point of reference and coordination of the requests and contributions of the non-Executive Directors and, in particular, the Independent Directors;
- b) to cooperate with the Chairman of the Board of Directors to ensure that the Directors receive a complete flow of information in a timely manner.

Following Guido Guetta's resignation as a director, the role of Lead Independent Director has been taken on by Paola Mignani and, since her resignation on 5 June 2019, by Paola Carrara for the final month of the period.

## **5. PROCESSING OF CORPORATE INFORMATION**

The Chairman and Managing Director, along with the Investor Relations Manager, supervise the communication to the public of events occurring within the Group's sphere of activity. The directors and managers in question are in charge of the external disclosure of documents and information, with particular regard to privileged information. Employees, directors, statutory auditors and independent contractors are required to treat as confidential documents and information obtained in the course of their duties.

The Company informs the supervisory authorities, market management company and the public, in the most appropriate forms and in accordance with regulations, of the events that occur within its sphere that are not in the public domain and which may, if rendered public, significantly influence the price of the listed financial instruments issued by the Company.

Since the coming into force in July 2016 of Regulation (EU) No. 596/2014 (MAR - Market Abuse Regulation) and despite the failure to complete / adapt the Italian legislative and regulatory framework, on 12 September 2017, noting that the procedure for the management of privileged information (adopted on 28 March 2017) and the Internal Dealing procedure (adopted on 13 September 2016) had been superseded, the Board of Directors approved a new privileged information and Internal Dealing procedure. Further measures introduced by the legislator and/or by Consob may

require amendments to be made to the foregoing (even in the short term).

In more detail, the Procedure for the management of privileged information:

- (i) governs the identification of privileged information (by establishing related criteria and responsibilities/processes). In light of the new regulatory environment, the process for the ongoing detection of privileged information in advance has been abandoned, but the safeguards to protect the confidentiality of privileged information have been extended to information that does not precisely qualify as privileged, but which could potentially qualify as such;
- (ii) highlights the obligations and prohibitions arising from access to privileged information or from the potential to generate it while reiterating the principle that awareness and application of legislation applicable to informed persons and/or insiders is the personal responsibility of the respective recipients thereof;
- (iii) governs the communication of privileged information to the public (as well as communication delays) and clarifies the roles and responsibilities of the various parties involved;
- (iv) describes the procedure for compliance with the obligation to draw up lists of persons who have access to privileged information and includes an appropriate supplementary section reserved for those with permanent access to all Company information that is classed as privileged.

On 13 September 2016, the Board of Directors approved the Internal Dealing procedure (amended on 12 September 2017) which:

- a) sets out a series of operational references, application principles and interpretative criteria concerning insider dealing and the closed period;
- b) highlights the regime of legal sanctions in the event of non-compliance with relevant regulations and also specifies the contractual liability and the possible consequences for breach thereof.

In accordance with Art. 2.2.3, paragraph 3 (P) of the Borsa Italiana Regulations, applicable to companies with shares listed on the STAR Segment of the MTA market and in terms of the internal dealing procedure, relevant persons and persons with close ties to them persons may not undertake transactions until disclosure to the public and in the 30 preceding days, of the outcome of meetings of the Company's Board of Directors examining mandatory periodical statements, proposals for the distribution of advances on dividends and preliminary results and, if disclosed on such an occasion, the proposal for the annual dividend to be submitted to the shareholders' meeting. The restriction does not apply to the purchase of shares through the exercise of rights awarded in the context of stock-option and stock-grant plans, without prejudice to the obligation not to proceed with the sale thereof in the periods indicated.

The procedures may be consulted in the Governance section of the website at [www.digitalbros.com](http://www.digitalbros.com).

## **6. SUB-COMMITTEES OF THE BOARD (in terms of Art.123-bis (2)(d) of the CFA)**

In order to increase the effectiveness of the work of the Board of Directors, the following sub-committees have been established: Internal Control and Risk Management Committee, Remuneration and Appointments Committee and permanent Related Party Transactions Committee.

On 28 February 2019, the Board of Directors decided that the functions assigned by the Italian Civil Code to the Appointments Committee, which had, until then, been performed directly by the Board itself, would be carried out by

the Remuneration Committee which changed its name thenceforth to the Remuneration and Appointments Committee. Several functions could be assigned to the same Committee considering the not particularly complex nature of the Group and the not overly burdensome nature of the functions assigned by the Code to the Appointments Committee. The composition of the Remuneration and Appointments Committee meets the requirements of the Code for both committees.

In addition to the Committees recommended by the Code, the Board has also approved the establishment of a permanent Related Party Transactions Committee whose function is described in paragraph 12.

The committee functions provided for in the Code have not been reserved for the Board of Directors.

## **7. APPOINTMENTS COMMITTEE**

As among the Company's shareholders there were two individuals who were also members of the Board of Directors, the Board had concluded that it was not necessary to create an Appointments Committee. Taking account of the recommendations contained in the letter from the Chairman of the Corporate Governance Committee dated 13 December 2017 and the recommendations of Article 5 of the Code, the Board of Directors' meeting of 28 February 2019 resolved to assign the functions regarding the appointment of directors under the code to the Remuneration Committee. Consequently, the Remuneration Committee became the Remuneration and Appointments Committee.

For details of the composition and functioning of the Appointments Committee, see the section on the Remuneration and Appointments Committee below.

## **8. REMUNERATION AND APPOINTMENTS COMMITTEE**

*Composition and functioning of the Remuneration and Appointments Committee (pursuant to Art. 123-bis (2) (d) of the Consolidated Finance Act)*

The Board of Directors has established a Remuneration and Appointments Committee. Except for the period between 6 August 2018 and 9 November 2018 due to the turnover of the independent directors described above, the Committee comprised three non-executive, independent directors for the whole of the reporting period.

As a result of the turnover of the independent directors mentioned above, the composition of the Committee changed several times during the period:

*1 July 2018 - 5 August 2018*

Guido Guetta

Luciana La Maida - Chairman

Bruno Soresina

*6 August 2018 – 8 November 2018*

Guido Guetta

Luciana La Maida – Chairman

*9 November 2018 – 5 June 2019*

Luciana La Maida – Chairman

Irene Longhin

Paola Mignani

*6 June 2019 – 30 June 2019*

Luciana La Maida – Chairman

Irene Longhin

Susanna Pedretti.

The Board of Directors considered director Luciana La Maida an expert in remuneration policy thanks to her many years of professional experience.

No executive director participated in meetings of the Remuneration Committee during which proposals on directors' remuneration were made. The Chairman of the Board of Statutory Auditors takes part in the meetings.

During the reporting period ended 30 June 2019, the Committee met six times – four times as the Remuneration Committee and twice as the Remuneration and Appointments Committee following the Board resolution of 28 February 2019 - with meetings lasting an average of one hour and with the participation of all members except for Paola Mignani who did not attend the last meeting as she had resigned as a director.

The following matters were examined on these occasions: management incentive plans, directors' emoluments and proper application at Group level for the purposes of the Remuneration Report, as well as proposals of the new independent directors co-opted during the period. The meetings were minuted.

The Committee has scheduled four meetings for the current year, two of which have already been held.

#### *Functions of the Remuneration Committee*

In accordance with the Code, the Remuneration Committee is entrusted with:

- a. submitting proposals to the Board of Directors concerning the remuneration of managing directors and other directors who serve in particular offices, while monitoring the application of the decisions reached by the Board of Directors;
- b. periodically assessing the criteria adopted for the remuneration of key management personnel;
- c. monitoring their application on the basis of the information provided by the Managing Directors;
- d. formulating proposals and opinions for the Board of Directors on remuneration, the determination of performance objectives related to the variable component of remuneration and checking that such objectives have been achieved;
- e. reviewing the Remuneration Report pursuant to Art. 147-ter of the Consolidated Finance Act.

The establishment of this Committee guarantees the broadest, most transparent information on the remuneration due to the Managing Directors and senior executives and the methods for determining such remuneration. However, it is understood that, in accordance with Art. 2389 (3) of the Civil Code, the remuneration committee acts solely in an advisory capacity while the power to determine the remuneration of directors with particular roles remains, in any event,

with the Board of Directors, having sought the opinion of the Board of Statutory Auditors.

The Company has also approved rules and procedures for the operation of the Committee. Under these rules and procedures, the committee meets at least twice a year and always prior to the Board of Directors' meeting called upon to approve the remuneration of Directors with specific roles and/or of the Company's senior management.

During the year, the Committee enjoyed access to all information and company departments necessary for the performance of its duties.

The Committee did not use the services of any external consultants.

No additional functions have been assigned to the Remuneration Committee, except for the functions of the Appointments Committee described below.

The Board of Directors provides the Committee with the resources required to perform its functions periodically, also on request by the Committee.

#### *Functions of the Appointments Committee*

As established by the Code, the duties of the Appointments Committee are as follows:

- a. to offer opinions to the Board of Directors as to the size and composition of the Board and to make recommendations regarding the professional figures whose presence on the Board is considered advisable, while also making recommendations on matters under Articles 1.C.3 and 1.C.4 of the Code;
- b. offer opinions on diversity criteria in relation to the composition of the Board, in terms of age, gender, educational and professional background;
- c. suggest candidates to the Board where directors are to be co-opted in order to replace independent directors.

## **9. DIRECTORS' REMUNERATION**

The directors' remuneration is established by the Shareholders' General Meeting which has approved gross annual remuneration totalling €1,150,000 for the period 2018-2020.

#### *General remuneration policy*

The Board of Directors has established a remuneration policy for executive directors, non-executive directors and key management personnel. It approved the remuneration policy on 13 September 2018.

A significant portion of the total remuneration of executive directors and key management personnel – albeit well-balanced compared to the fixed portion - is linked to the financial results achieved by the Issuer and the achievement of predetermined objectives. The variable portion is commensurate in percentage terms to the fixed component and, therefore, has an upper limit. When determining the variable component, the Board of Directors deemed the fixed component to be sufficient remuneration for the services of directors and key management personnel if the variable component is not paid due to failure to achieve pre-set performance objectives.

No long-term objectives have been set as the share-based remuneration plan is considered to satisfy the requirements of the Code.

Performance objectives are pre-determined and adjusted from one year to the next based on the objectives pursued by the Group and as proposed by the Remuneration Committee. The variable component is paid after approval of the Financial Statements. There is no deferral of payment of variable components of remuneration and there are no contractual agreements which allow the Company to request the return of all or part of variable components of remuneration that were determined based on data that was subsequently proven to be inaccurate.

No indemnities are payable for early termination of office or employment.

The Directors present the Remuneration Report to the Shareholders' General Meeting. The Report is available on the Company web site at [www.digitalbros.com](http://www.digitalbros.com) and contains a description of remuneration policy.

#### *Share-based remuneration plans*

On 11 January 2017, the Shareholders' General Meeting approved the "2016-2026 Stock Option Plan" aimed at a limited number of Group directors and managers who were indicated by the Board of Directors.

The options assigned under the 2016-2026 Stock Option Plan have an average vesting period of at least three years. Director beneficiaries are required to hold continuously, until the end of their mandate with respect to each vesting period, a number of shares equal to at least 20% of the shares subscribed upon the exercise of their options.

#### *Incentive schemes for the head of the internal audit department and the financial reporting manager*

No incentives have been envisaged for the head of the internal audit department as they are not deemed necessary given the nature of his duties.

The incentive scheme for the financial reporting manager has already been described above, given that this position is held by an executive director.

#### *Remuneration of Non-Executive Directors*

The remuneration of non-executive directors is not linked to the Company's financial results. Non-executive directors are not awarded with share-based incentive plans. The remuneration of non-executive directors is determined as a fixed amount at the time of the Board resolution that sets their remuneration.

#### *Directors' indemnities in case of resignation, dismissal or departure as a result of a takeover bid (pursuant to Art. 123-bis (1) (i) of the Consolidated Finance Act)*

No agreements have been entered into between the Company and the Directors for indemnities payable in case of resignation, dismissal or departure without cause, or where the working relationship is severed following a public takeover bid.

## 10. INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

The Board of Directors has established an Internal Control and Risk Management Committee. Throughout the reporting period, it consisted of non-executive and independent directors. Membership of the Committee changed several times during the period as a result of changes involving the independent directors.

*Composition and functioning of the Internal Control and Risk Management Committee (pursuant to Art. 123-bis (2) (d) of the Consolidated Finance Act)*

As a result of the turnover of the independent directors described above, the composition of the Committee changed during the period as follows:

*1 July 2018 - 5 August 2018*

Guido Guetta - Chairman

Elena Morini

Bruno Soresina

*6 August 2018 – 13 September 2018*

Guido Guetta - Chairman

Elena Morini

*13 September 2018 – 9 November 2019*

Guido Guetta - Chairman

*9 November 2018 – 5 June 2019*

Luciana La Maida

Irene Longhin

Paola Mignani - Chairman

*6 June 2019 – 30 June 2019*

Paola Carrara – Chairman

Luciana La Maida

Susanna Pedretti.

The Board has identified the following as directors with experience of accounting and finance matters in terms of Art. 7.P.4 of the Code: Guido Guetta until his resignation on 9 November 2018, then Paola Mignani until her resignation on 5 June and, thereafter, Paola Carrara.

During the year ended 30 June 2019, the Committee met five times with meetings lasting an average of 1 hours and 38 minutes. All members attended the meetings as did the Board of Statutory Auditors and the Director in charge of Internal Control and Risk Management. Minutes of the meetings were taken.

The committee has scheduled five meetings for the current year, two of which have already been held.

The Committee has not used the services of external consultants as no such need was identified.

#### *Functions assigned to the Internal Control and Risk Management Committee*

The Internal Control and Risk Management Committee performs the following functions:

- a) provision of preventive assistance to the Board of Directors in determining the guidelines for the internal control system and with the identification, monitoring and management of key risks, while checking compatibility with strategic objectives;
- b) expression of opinions on the appointment and removal of the head of the internal audit department, as well as on the reasonableness of his/her remuneration;
- c) assessment, along with the financial reporting manager and the auditors, of the suitability of the accounting policies applied and their consistency for the purposes of preparing the consolidated financial statements;
- d) offer, on request by the Director in charge of internal control, opinions on specific issues regarding the identification of major business risks and the design, implementation and management of the internal control system;
- e) review the periodical reports prepared by the internal audit department;
- f) monitor the autonomy, adequacy, effectiveness and efficiency of the internal audit department;
- g) as necessary, ask the internal audit department to audit specific operational areas;
- h) report to the Board of Directors at least every six months, in conjunction with the approval of the annual financial statements and the half year financial report, on the activities and adequacy of the internal control system;
- i) support the Board of Directors in making assessments and decisions with regard to the management of key risks resulting from harmful events, also by means of investigations.

No additional functions have been assigned to the Committee.

During the reporting period, the Internal Control and Risk Management committee analysed the work plan drawn up by the Director in charge of Internal Control and checked progress with the plan. It assessed the work plan drawn up by internal audit, monitored its status and worked with the financial reporting manager to assess the proper application of accounting policies and the consistency of such policies for the purposes of preparing the consolidated financial statements. The Chairman of the Board of Statutory Auditors (or another member of said Board as appointed by its Chairman) took part in the Committee's work.

In the performance of its duties, the Internal Control and Risk Management Committee may access company information and departments necessary to complete its work. It did not require any financial resources to perform its duties.

The Board of Directors provides the Internal Control and Risk Management Committee with the resources required to perform its functions, also on request by the Committee.

## 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control system is the set of processes aimed at monitoring the efficiency of company operations, the reliability of financial information, compliance with laws and regulations and the protection of company assets. In accordance with the principles and criteria established by the Code, the internal control system implemented by the Group involves:

- a) the Board of Directors, which: sets the guidelines for the internal control system (so that the main risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored) and periodically assesses the adequacy and effective functioning of that system. The Board determines the nature and level of risk consistent with strategic objectives when preparing medium/long-term plans and approves the internal audit plan annually after consulting the Board of Statutory Auditor and the Director in charge of the internal control system;
- b) the Managing Director, who is responsible for implementing the guidelines established by the Board of Directors and for identifying the main company risks, with support from the Director in charge of the internal control and risk management system;
- c) the Director responsible for the internal control and risk management system, who checks that the internal control system remains adequate, fully operational and functional and, where necessary, suggests that the Internal Control and Risks Management Committee and the Board of Directors adopt all measures aimed at eliminating operational and financial risks and at making company procedures more efficient and effective;
- d) the Internal Control and Risk Management Committee, which plays a consultative and advisory role, including *inter alia* assessment of the proper use of accounting policies and their suitability for preparation of the consolidated financial statements;
- e) the head of internal audit, who, in coordination with the Internal Control and Risk Management committee, plans risk-monitoring activities, prepares a work plan and reports the main internal audit findings to the Internal Control and Risk Management Committee and the Director responsible for internal control.

The internal control system is the set of rules, procedures and organisational structures designed to ensure that the business is properly and fairly managed in line with predetermined objectives, through an adequate process of identification, measurement, management and monitoring of major risks. The internal control system relating to the financial reporting process forms an integral part of the broader risk management system. The internal control system helps ensure the safeguarding of company assets, the efficiency and efficacy of company operations, the reliability, trustworthiness, accuracy and timeliness of financial reporting and compliance with laws and regulations.

In performance of its functions in relation to the internal control system, the Board of Directors takes due account of the models of reference and best practices on an Italian and international level, while adapting them to the complexity of the Group's processes and organisational structures.

In order to ensure the effective, proper application of these provisions and, more generally, all rules and procedures governing processes for the collection, processing, presentation and dissemination of company information, Digital Bros has implemented an internal control system as described in the internal control manual, which is periodically updated and submitted for the approval by the Board of Directors. The manual is then distributed after each amendment and

after approval by the Group's organisational structures.

The purpose of the internal control manual is to make it easier for the Directors and/or key employees and/or employees in charge of lines of business to consult those procedures deemed essential by the Board of Directors to meet internal control and risk management requirements.

The Manual contains a description of all the main tools created by the Group to meet internal control objectives:

- a. business planning and control: the structured system for the preparation of short and/or medium/long-term business plans and forecasts and regular monitoring thereof;
- b. Legislative Decree 231/2001: the organisational model prepared for the purposes of the Decree in question and analysed in a specific section of the Report;
- c. the risk-identification procedure: defines the roles, functions and methods whereby the Company identifies, assesses and monitors the main risks to which the Group is exposed in order to plan any corrective actions;
- d. procedure for the identification of corporate events: this determines the criteria used to ensure the reliability, completeness and timeliness of financial reporting, including compliance with the requirements of Legislative Decree 262/2005;
- e. manual of Group operating procedures, governing the main processes implemented by the Company and its subsidiaries.

#### *Stages of the Internal Control and Risk Management System relating to the financial reporting process*

The process for the identification of financial reporting risks forms an integral part of the broader risk identification and management and internal control system implemented by the Group. The system is designed to ensure the financial information is reliable, accurate and timely.

Risk identification is an ongoing process that involves the Board of Directors together with level-one organisational structures in coordination meetings that are held periodically throughout the year. Their work is summarised in a risk matrix that is prepared and regularly reviewed by the Director responsible for internal control who attends the coordination meetings. Records are maintained for each risk with a description of the risk in question, the gross risk assessment rating based on a probability/impact matrix and the presence of any mitigating factors and/or safeguards to reduce and monitor the risk, with the consequent allocation of a net risk rating. The director responsible for internal control is monitored in this task by the Internal Control and Risk Management Committee.

The individual risk records also show the impact that failure to meet the internal control objectives would have in terms of operations and financial reporting.

The completeness of the risk map and the allocation of net risk ratings are jointly assessed by the two Managing Directors and by the Director responsible for internal control. The Board of Statutory Auditors supervises the efficacy of this process. The main risks, both of an operational nature and relating to financial reporting, are reported in a specific section of the consolidated financial statements.

Any weaknesses in and/or improvements to be made to the internal control and risk management system, especially with regard to financial reporting risks and, more generally, to internal control systems, as identified during the process described above, represent the starting point for the work planned by the internal control function, in terms of both the implementation of control mechanisms aimed at safeguarding risks and monitoring activities. The approach taken depends on the significance of the potential impact on the Group's operating risk.

The assessment of controls in terms of both improvement and operations is documented at least once every six months by the Director responsible for internal control who reports to the Board of Directors on the matter.

#### *Roles and functions involved*

The Group markets video games around the world through commercial subsidiaries that purchase products from Group companies and resell them locally. The phases of video game production and creation and the purchase of video games from third parties are carried out by the parent company and/or Italian subsidiaries and handled directly by the two Managing Directors, within the limits of the powers delegated to them, jointly or separately, or by the Board of Directors in case of larger amounts.

The relative homogeneity of the processes employed and the creation of a single ERP platform shared by all Group companies with automatic, advance processes of control of sales and service purchase processes allows for effective controls of the processes of individual units so as to maintain a relatively modest level of delegated powers for individual entities in terms of the potential impact of fraud and/or errors and thus on financial reporting. The payment authority granted to various individuals by the two managing directors is limited to amounts deemed below the threshold for significant misstatements in financial reporting.

The common ERP platform also permits:

1. the effectiveness of the process of consolidation and standardisation of accounting policies which is carried out at parent company level and monitored by means of an appropriate procedure;
2. the extension of the scope of relevant companies and processes for the purposes of Legislative Decree 262/2005 to all companies and processes, as it is easy to implement control mechanisms for all companies and processes employed.

Even though the information is available at any time, quarterly reports are still issued by the heads of the individual entities.

The Group's short-term planning and control processes provide for a timetable of activities on a quarterly basis and are prepared through a structured system of coordination meetings attended not only by the Managing Directors but also by individual heads of operating segments and/or functions. Progress with plans during the quarter is monitored on an ongoing basis through business intelligence systems and at least one coordination meeting per quarter is held.

Medium-/long-term planning processes involve a smaller group of individuals (executive directors and heads of operating segments) on a six-monthly basis with meetings designed to check the status of the planning process and analyse variances.

Short-term planning and related variance analysis are submitted for the attention and approval of the Board of Directors on at least a quarterly basis. Meanwhile, this occurs six-monthly for medium-/long-term planning and related variance analysis.

On 13 September 2018, the Board of Directors assessed the Internal Control and Risk Management System and concluded it was appropriate and effective with regard to the characteristics of the business and the risk profile. This assessment was performed with assistance from the Internal Control and Risk Management Committee which, during its meetings, was able to perform ongoing checks on the proper functioning and effectiveness of the internal control system.

### **11.1 Director in charge of the internal control and risk management system**

Stefano Salbe, the director in charge of the internal control and risk management system:

- (i) has direct access to all information useful for performance of the functions assigned to him;
- (ii) reports back on his work to the Internal Control and Risk Management Committee and to the Board of Statutory Auditors;
- (iii) has been provided with the resources required to perform the duties assigned to him;
- (iv) has the power to ask the internal audit department to perform audit work on specific operational areas.

The Director in charge of internal control has:

- handled the identification of business risks (strategic, operational, financial and compliance) taking account of the Group's activities and liaising with other company functions. He has reported periodically to the Board of Directors;
- executed the guidelines issued by the Board of Directors, planning, implementing and managing the internal control system while constantly checking the adequacy, effectiveness and efficiency of its processes;
- adapted the internal control system to market dynamics, the transactions undertaken and legislative and regulatory changes;
- the power to recommend the appointment or removal of the Head of the Internal Audit Department;
- not had to report any issues or problems emerging during the period to the Board and the Internal Control and Risk Management Committee.

### **11.2 Head of the Internal Audit Department**

On 10 November 2016, the Board of Directors eliminated the role of internal control officer and, as proposed by the Director in charge of the internal control system, with the prior approval of the Internal Control and Risk Management Committee and having consulted the Board of Statutory Auditors, it:

- (i) appointed Pierluigi Valentini, BDO audit firm partner, as Head of the Internal Audit Department, entrusting him with ensuring that the internal control and risk management system works properly and meets requirements;
- (ii) set a level of remuneration in line with company policy and ensured there were sufficient resources to carry out related activities.

(iii) approved the audit plan.

In accordance with the Corporate Governance Code, the internal audit department:

- (i) performs ongoing checks and checks in response to specific requirements, in compliance with international standards, to ensure that the internal control system is functional and fit for purpose. This is done on the basis of an audit plan, approved by the Board of Directors, as based on a structured process involving analysis and prioritisation of the main risk;
- (ii) is not responsible for any operational areas and reports to the Board of Directors;
- (iii) has direct access to all information useful for the performance of its duties;
- (iv) prepares periodical reports containing information on the work performed, on the risk management process and on compliance with risk containment plans. These reports include an assessment of the Internal Control System's suitability for purpose;
- (v) promptly prepares reports on particularly important events;
- (vi) sends reports under points iv) and v) to the Internal Control and Risk Management Committee, to the Board of Statutory Auditors, to the Director in charge of the Internal Control and Risk Management System and to the Chairman of the Board of Directors;
- (vii) based on its audit plan, tests the reliability of the information systems, including the accounting systems.

The Board of Directors provides the Head of the Internal Audit Department with the financial resources needed for his organisational role, in compliance with the autonomy, adequacy, effectiveness and efficiency requirements laid down by the Code.

During the reporting period, the Head of the Internal Audit Department:

- a) prepared the annual Audit Plan ("Plan") which was approved by the Board of Directors;
- b) scheduled and performed, in accordance with the Plan, the direct and specific control testing on the Company and the other Group companies in order to detect any weaknesses in the internal control and risk management system. The testing was performed during audits planned at the Company's premises;
- c) on request, performed testing of specific matters as follows: method of accounting for sales, inventory management and valuation of inventories of trading cards;
- d) for each control test activity, drew up a testing report outlining the activities tested, the subject of the testing, the operating methods adopted, the duration of the testing, the period to which the testing relates, the results obtained and recommendations made;
- e) created a register to record all audit work performed in the reporting with details of the audit findings, recommendations and proposals made by internal audit, any corrective measures recommended in order to address system weaknesses and final conclusions on the work done and on the feedback received;
- f) attended meetings of the Internal Control and Risk Management Committee, the permanent Related Party Transactions Committee and the Board of Statutory Auditors during which he described the state of progress of the audit work and gave a report on any issues or weaknesses identified and any corrective action taken by the Company.

Given the limited size of the Group and the lack of internal professional personnel capable of fulfilling internal audit functions, internal audit activities have been outsourced to BDO Italia S.p.A., with the team headed by Pierluigi Valentino, who has been deemed to fulfil the necessary requirements of professionalism, independence and organisation.

BDO Italia S.p.A. has no links with the Company or any Group companies.

### **11.3 Organisational model pursuant to Legislative Decree 231/2001**

On 30 March 2006, the Board of Directors approved the organisational model and code of ethics which were subsequently updated on 11 May 2010, 13 September 2016, 12 September 2017 and, most recently, on 6 June 2019. The organisational model adopted by the Company is structured as follows:

1. a general section which introduces the model and outlines governance rules, with particular regard to: (i) the addressees/recipients; (ii) the composition, role and powers of the Supervisory Board; (iii) the role of the Board of Directors; (iv) the flow of information to the Supervisory Board; (v) applicable penalties; and (v) distribution of the organisational model to the addressees/intended recipients;
2. a special section which identifies and describes, for each offence theoretically relevant to the Company, the processes at risk and the rules of conduct that each addressee shall respect when carrying out his or her activities.

For the purposes of the organisational model, the following offences are theoretically relevant to the Issuer:

- offences against the Public Administration;
- offences against public trust;
- corporate offences;
- terrorism and subversion of democracy;
- market abuse;
- offences against the person;
- cross-border crime;
- crimes that endanger human life and safety;
- health and security offences;
- handling of stolen property, money laundering and the use of money, goods or profit from criminal activities;
- cybercrime and unlawful data processing;
- organised crime;
- offences against industry and commerce;
- copyright offences;
- inducement not to make statements or to make false statements to the Judicial Authorities;
- environmental offences;
- use of irregular foreign workers;
- private sector corruption and instigation to commit private sector corruption;
- racism and xenophobia.

In light of the Company's organisational characteristics and in accordance with the guidelines issued by Confindustria (the corporate trade association), following the resignation during the year of independent director Elena Morini and the resignation of Dario Treves and Alberto Ruggeri as members of the Supervisory Board, on November 2018, after considering whether to entrust the functions of the Supervisory Board to the Board of Statutory Auditors, the Board of Directors decided to entrust the functions of the Supervisory Board to an independent professional, Francesco Lamperti. This arrangement was felt to satisfy the requirements of autonomy, independence, professionalism and continuity of action to ensure the effective performance of the functions that have been entrusted to the Supervisory Board. The current arrangements may be reviewed in the near future.

The documents referred to above are available in the Investors section of the Company's website at [www.digitalbros.com](http://www.digitalbros.com).

During the reporting period, the Supervisory Board analysed sensitive activities and current business models, as reflected in the organisational model approved by the Board on 6 June 2019. The Supervisory Board performed a series of test activities in relation to workplace health and safety and the organisation of training for employees.

#### **11.4 External auditor**

Deloitte & Touche S.p.A. was appointed as external auditor by the Ordinary Shareholders' General Meeting held on 26 October 2012 for the reporting periods up until approval of the financial statements for the year ended 30 June 2021.

#### **11.5 Financial Reporting Manager**

On 7 August 2008, the Board of Directors, with the approval of the Board of Statutory Auditors, appointed Stefano Salbe as the Financial Reporting Manager and granted him appropriate powers and resources to perform the duties assigned to him under applicable laws and regulations.

The Financial Reporting Manager has the necessary expertise of administration, finance and control matters. He performs the functions required of him by Art. 154-bis of the Consolidated Finance Act.

Art. 24 of the Articles of Association states that the Board of Directors shall grant the Financial Reporting Manager appropriate powers and resources to perform the duties assigned to him under applicable laws and regulations.

The Financial Reporting Manager must have many years of experience of administration, finance and control matters and must satisfy the personal integrity requirements established by law for the office of director.

The Financial Reporting Manager is subject to regulations on the liability of directors in respect of the duties assigned to them, without prejudice to legal action that may be taken with regard to the employment relationship with the Company. In particular, the Board of Directors has granted the Financial Reporting Manager all of the necessary powers in terms of Art. 154 bis of Legislative Decree 58 of 24/2/1998, as introduced by Art. 14 (1)(262). The following, non-exhaustive list contains examples of these powers:

- a) the power to introduce appropriate administrative and accounting procedures at the parent company and all Italian and international subsidiaries;
- b) the power to hire employees to assign to specific activities and determine their remuneration in accordance with Group policy and the power to dismiss such employees;

- c) the power to hire and fire Italian and international professionals to perform specific assignments and to establish the duration and remuneration of such assignments;
- d) the power to purchase, directly or under finance leases, the assets and software required to perform financial reporting and related procedures;
- e) all necessary powers, including spending powers, for the proper execution of the duties assigned.

There are no other company roles or departments with specific internal control duties.

#### **11.6 Coordination of individuals involved in the internal and risk management system**

In accordance with Principle 7.P.3 of the Corporate Governance Code and in compliance with best practices for listed companies, the Company has established methods of coordination between the various bodies involved in the internal control and risk management system. Regular meetings are held in joint session between the various bodies responsible for internal control and risk management (the Director in charge of Internal Control, the Internal Control and Risk Management Committee, Board of Statutory Auditors, Supervisory Board and Internal Audit) with the aim of identifying areas of intervention and analysis relevant to each body. This process facilitates the identification of any overlapping of functions and/or duplications of activities and helps to implement a single compliance system within the Company and the Group. The entire Board of Statutory Auditors – or, at least, its Chairman or another statutory auditor designated by him - attends meetings of the Internal Control and Risk Management Committee. At least six-monthly, the external auditors meet in joint session with the Internal Control and Risk Management Committee, the Board of Statutory Auditors and the Financial Reporting Manager with the aim, inter alia, of assessing the proper use of accounting standards and their consistency for the purposes of preparation of the consolidated financial statements.

## **12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS**

Related party transactions entered by Group companies are reserved for review and prior approval by the Board of Directors. On 11 November 2010, the Board of Directors approved a new procedure for related party transactions to reflect the amendments introduced by Consob resolution 17221 of 12 March 2010. General criteria for the identification of significant related party transactions were established. The procedure is available in the Corporate Governance section of the Company's website at [www.digitalbros.com](http://www.digitalbros.com).

Related party transactions comply with criteria of substantive and procedural propriety in accordance with applicable laws and regulations. The Board of Directors is responsible for identifying the criteria capable of identifying related party transactions, taking account of the definitions contained in international accounting standards and/or issued by regulatory authorities.

Related party transactions are, however, subject to review and approval by the Board of Directors. In all cases of prior approval by the Board of Directors, the Board shall be duly informed, in advance, of the nature of the relationship, the conditions (especially the economic conditions), methods and timetable for the conclusion and execution of the transaction, the valuation procedure followed, the underlying interests and reasons for the transaction (also in relation to established strategic guidelines), as well as the possible risks – present or future – for the Company and its subsidiaries and any more general implications for their activities.

In particular, for related party transactions, directors who have an interest, including a potential or indirect interest, in the transaction must inform the other directors and the Board of Statutory Auditors of all of their interests in that

transaction, whether on their own account or on account of third parties; they shall also specify the nature, terms, origin and extent of such interests. Such interests may be communicated by any means, including verbally, during meetings of the Board of Directors, or in writing to the Chairman of the Board of Statutory Auditors, with an obligation to report thereon during the next meeting of the Board of Directors.

For the definition of “related parties”, express reference is made to the parties defined as such by the international accounting standard on the disclosures regarding related party transactions, as adopted according to the procedure laid down by Article 6 of Regulation (EC) No. 1606/2002 (IAS 24).

When the Board of Directors identifies a relationship with one of the directors or with a related party through a director, it quickly requests clarification of the existence of an interest, including a potential or indirect interest. When it is time for the Board to resolve on the related party transaction, the Director with the direct or indirect interest shall leave the meeting.

The Board of Directors has set up a permanent Related Party Transactions Committee which assesses the nature, amount and other features of each related party transaction. This is in order to ensure that such transactions are entered into on an arm's length basis and to avoid their being subject to conditions other than those that would likely have been agreed to between unrelated parties. In this process, assistance may be provided by experts of recognised professional skill and expertise of the subject matters of interest in order to obtain their opinions on the economic conditions, lawfulness and technical aspects of the transaction.

During the reporting period, membership of the Related Party Transactions Committee was as follows:

*1 July 2018 - 5 August 2018*

Guido Guetta - Chairman

Elena Morini

Bruno Soresina

*6 August 2018 – 13 September 2018*

Guido Guetta - Chairman

Elena Morini

*13 September 2018 – 9 November 2019*

Guido Guetta - Chairman

*9 November 2018 – 5 June 2019*

Luciana La Maida

Irene Longhin

Paola Mignani - Chairman

*6 June 2019 – 30 June 2019*

Paola Carrara – Chairman

Luciana La Maida

Susanna Pedretti.

There have been no changes in the composition of the committee after the reporting date.

### **13. APPOINTMENT OF STATUTORY AUDITORS**

Art. 25 of the Articles of Association states that acting and alternate members of the Board of Statutory Auditors shall be elected by a list-based voting procedure.

The Board of Statutory Auditors is composed of three acting auditors and two alternate auditors who remain in office for three financial years and may be re-elected. Applicable regulations are followed when determining their remuneration and term of office.

Minority interests are entitled to elect one acting auditor and one alternate auditor.

The Board of Statutory Auditors is appointed in accordance with applicable gender balance provisions, based on lists submitted by the shareholders in which candidates are presented with sequential numbers. The list is divided into two sections: one for candidates for the office of acting auditor and the other for candidates for the office of alternate auditor.

Candidate lists, signed by the shareholders submitting them, must be filed in accordance with the deadlines and methods laid down by applicable legislation. Only shareholders who, separately or together with other shareholders, represent a percentage of shares with voting rights at Ordinary General Meetings of not less than that required by the relevant laws or regulations in force at the time of the appointment may submit lists. This percentage interest is determined with regard to the shares registered to the shareholder on the day on which the lists are submitted to the Company.

Certification attesting to ownership of such interests may also be produced after submitting a list, provided that it is done by the deadline for publication of the lists by the Company.

Each candidate may be presented on a single list only otherwise they shall be deemed ineligible.

Candidates subject to reasons for ineligibility or disqualification as set out in laws or regulations, or who do not meet the necessary requirements, including those pertaining to concurrent positions held, may not be included in lists. Statements in which the individual candidates accept their candidacy and certify, under their own responsibility, that they are not subject to any reasons for ineligibility or incompatibility and that they meet the requirements established by law and the Articles of Association for their respective offices, in addition to a list of any positions on governance bodies filled at other companies, are filed along with each list, by the deadline indicated above. Certification must be issued by an authorised broker in accordance with the law attesting to ownership of the number of shares required to submit a list. Such certification must be submitted by the deadline and according to conditions established by law.

Lists containing a total number of three or more candidates must include candidates of both genders, so that each list includes a number (rounded up) of candidates for the office of acting auditor and a number (rounded up) of candidates for the office of alternate auditor of the less-represented gender equal to at least the percentage indicated in applicable laws and regulations.

Lists for which the foregoing requirements have not been met will be disregarded.

Without prejudice to the need to comply with applicable laws and regulations on gender balance, statutory auditors are elected as follows:

1. two acting auditors and one alternate auditor are drawn from the list that received the greatest number of votes by the shareholders in general meeting, according to the sequential order in which they are listed in the section of the list;
2. one acting auditor and one alternate auditor are drawn from the list that received the second-greatest number of votes by the shareholders in general meeting after the first list, according to the sequential order in which they are listed in the section of the list.

The first candidate from the list that receives the greatest number of votes after the first shall become the Chairman of the Board of Statutory Auditors.

If the methods indicated above do not ensure the composition of the Board of Statutory Auditors, in terms of acting auditors, in a manner consistent with applicable gender balance provisions, the necessary substitutions will be made from amongst the candidates for the office of acting auditor included in the majority list, according to the sequential order in which the candidates are listed.

If only one list is submitted, the candidates for the offices of acting auditor and alternate auditor on that list will be elected and the first candidate on the list will become the Chairman of the Board of Statutory Auditors; this does not affect the need to comply with applicable gender balance provisions. If a statutory auditor no longer fulfils the requirements established by the law or by the Articles of Association, he or she must leave office. When a statutory auditor is replaced, the alternate auditor from the same list as the outgoing auditor takes his or her place. This does not affect the fact that the minority statutory auditor will remain Chairman of the Board of Statutory Auditors, without prejudice to applicable gender balance provisions.

The foregoing provisions on the election of statutory auditors do not apply to Shareholders' Meetings held to appoint acting auditors and/or alternate auditors and the Chairman in accordance with the law, as necessary to replenish the Board of Statutory Auditors following replacement or dismissal; this is without prejudice to compliance with applicable gender balance provisions.

In case of a tied number of votes for two or more lists, other than the list that received the greatest number of votes, the youngest candidates from the minority lists will be elected statutory auditors, until the positions to be assigned have been filled. This does not affect the need to comply with applicable gender balance provisions.

Pursuant to Art. 8 of the Corporate Governance Code, the statutory auditors act autonomously and independently, also in relation to the shareholders who have elected them.

The statutory auditors shall treat with the utmost confidentiality the documents and information they obtain in the course of their duties and shall observe the procedure adopted for the external communication of documents and information regarding the Company.

In performance of their duties, the statutory auditors may, individually or collectively, ask the Directors for information or clarification about the information given to them and, more generally, about the status of company operations or specific transactions. They may also perform inspections and checks at any time. The Board of Statutory Auditors and external auditors exchange data and information relevant to performance of their respective duties. The Board of

Statutory Auditors must meet at least every 90 days.

The members of the Board of Statutory Auditors certified that they met the independence requirements established by the Code when the lists were submitted and when their candidacy was accepted.

#### **14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to Art. 123-bis (2)(d) of the Consolidated Finance Act)**

The Board of Statutory Auditors in office at the reporting date was appointed, on the basis of the single list submitted, by the Shareholders' Meeting held on 27 October 2017, for a term of three financial years, ending upon approval of the financial statements for the year ended 30 June 2020.

During the year ended 30 June 2018, the Board of Statutory Auditors met eight times, with meetings lasting two hours and 36 minutes on average. The meetings were attended by all members of the Board, except on one occasion when one member was absent for good reason. The Board of Statutory Auditors has scheduled seven meetings for the current year, one of which has already been held.

The members of the Board of Statutory Auditors are: Paolo Villa, chairman, Mariapia Maspes and Luca Pizio, acting statutory auditors, and Christian Sponza and Daniela Delfrate, alternate auditors.

Reference should be made to the summary tables for information about the composition of the Board of Statutory Auditors and each member's participation at meetings thereof.

There have been no changes to the composition of the Board of Statutory Auditors since the end of the reporting period.

Short biographical notes on the members of the Board of Statutory Auditors are provided below:

Paolo Villa (born in Bergamo on 29 January 1965), a *Dottore Commercialista* (Italian public accountant) registered in Section A of the Order of Accountants of Bergamo, registration No. 925/A, since 21 July 1993. Registered auditor.

Key appointments: Fine Foods & Pharmaceutical Ntm S.p.A. (Chairman of the Board of Statutory Auditors) – Eigenfin S.r.l. (Statutory Auditor) - 505 Games S.p.A. (Chairman of the Board of Statutory Auditors) - Bomi Italia S.p.A. (Chairman of the Board of Statutory Auditors) – Friends & Partners S.p.A. (Chairman of the Board of Statutory Auditors).

Maria Maspes (born in Sondrio on 28 April 1970), a *Dottore Commercialista* (Italian public accountant) registered in Section A of the Order of Accountants of Milan, registration No. 4565, since 19 February 1996. Registered auditor.

Key appointments: 505 Games Spa (Statutory Auditor) – Augusta Due Srl (Statutory Auditor) – Alto Partners SGR (Statutory Auditor) – LA7 S.p.a. (Statutory Auditor) – Cairo Editore Spa (Statutory Auditor) – Cairo Pubblicità Spa (Statutory Auditor) – Torino FC Spa (Statutory Auditor) – Spa Kelly Services S.p.A. (Statutory Auditor) - UT Communications Spa (Statutory Auditor) – G.B.H Spa (Chairman of the Board of Statutory Auditors) – Busto Care S.r.l. (Statutory Auditor) – Previdenza Cooperativa (Statutory Auditor) – RCS Sport (Statutory Auditor).

Luca Pizio (born in Darfo Boario Terme (BS) on 10 July 1963), a *Dottore Commercialista* (Italian public accountant) registered in Section A of the Order of Accountants of Brescia, registration no 959/A, since 22 February 1994. Registered auditor.

Key appointments: 505 Games S.p.A. (Statutory Auditor) – Tielle S.r.l (Chairman of the Board of Statutory Auditors), Basix S.p.A. CF: 06775430967 (Chairman of the Board of Statutory Auditors) – Ashland Industries Italia S.r.l. (Sole

Statutory Auditor) – Pelikan Italia S.p.A. (Statutory Auditor).

The Company has adopted the diversity criteria required by the Code, as described above. During the reporting period, the composition of the Board of Statutory Auditors satisfied gender diversity criteria. The Company will consider applying the additional diversity criteria set out by Article 123-bis of the CFA before the next election of the Board of Statutory Auditors.

During the period, on 22 November 2018, the Board of Statutory Auditors checked if its members continued to meet independence requirements as verified upon their initial appointment. This was performed based on the criteria established in the Code and based on the quantitative criteria determined by the Board of Directors. The procedure revealed that Statutory Auditor Paolo Villa did not meet the presumptive independence criterion as he had been a Statutory Auditor of Digital Bros S.p.A. for more than nine of the past twelve years. However, since this requirement is not binding, the Board of Statutory Auditors unanimously concluded that all of its members were independent of the Company. The Board of Statutory Auditors sent the results of the assessment process to the Board of Statutory Auditors.

The Chairman of the Board of Directors ensured that the statutory auditors could access the Induction Programme already described for the directors.

The remuneration of the Board of Statutory Auditors is commensurate with the commitment required and with the size of the Company.

The procedure governing related party transactions also applies to members of the Board of Statutory Auditors and states that statutory auditors who have an interest, in a personal capacity or on account of third parties, in a given transaction must inform the Board of Statutory Auditors and Board of Directors in a timely manner of the nature, terms, origin and extent of that interest.

In the course of its duties, the Board of Statutory Auditors worked together with the Internal Control and Risk Management Committee and with the Internal Audit function, attending all the meetings held during the year.

## **15. SHAREHOLDER RELATIONS**

Digital Bros S.p.A. has adopted a communications policy aimed at establishing a constant dialogue with institutional investors, shareholders and the market and at ensuring the regular issue of full, accurate and timely information on its activities, with the sole limitation of the need for confidentiality in respect of certain information. Digital Bros S.p.A. proactively maintains a constant dialogue with the market in accordance with laws and regulations governing the circulation of price sensitive information.

Relations with investors and other shareholders are managed by the investor relations manager, Stefano Salbe, who is also entrusted with the role of designated liaison officer for requests for information pursuant to Borsa Italiana Regulations.

The distribution of information in investor relations is also ensured by making the most important company documentation available, on a continuous and timely basis, on the Company's website, ([www.digitalbros.com](http://www.digitalbros.com)). Especially, all press statements issued to the market and the Company's financial reports are available on the Company's website, as soon as they are approved by the competent corporate bodies, as is other company documentation including:

- a. separate and consolidated financial statements;
- b. six-monthly financial reports;
- c. interim reports on operations;
- d. timetable of corporate events;
- e. corporate governance report;
- f. Articles of Association;
- g. General Meeting regulations.

The documentation may be consulted in the “Investors” section, is readily identifiable and accessible and is available in both Italian and English.

## **16. SHAREHOLDERS’ GENERAL MEETINGS (pursuant to Art. 123-bis (2)(c) of the Consolidated Finance Act)**

A duly constituted Shareholders’ General Meeting represents the shareholders and its resolutions, passed in accordance with the law and Articles of Association, are binding on all shareholders.

Ordinary and Extraordinary General Meetings are duly constituted and pass resolutions with the majorities required by law.

As provided by Art. 10 of the Articles of Association, a General Meeting shall be convened as laid down by law and in accordance with the terms and conditions established by applicable regulations. The notice convening the meeting must indicate the date, time and place of the meeting and shall contain a list of the matters to be discussed, as well as all additional information required by applicable laws and regulations.

Pursuant to Art. 11 of the Articles of Association, holders of voting rights authorised by notice submitted to the Company by an authorised intermediary may participate in the Shareholders’ Meeting in accordance with the law. Such notice shall be delivered to the Company in accordance with applicable legislation at least three days prior to the Shareholders’ Meeting at first call, or by the different term established by applicable provisions of law. The right to attend and vote remains valid if the notice is delivered to the Company after the above deadline, but before the start of the shareholders’ meeting.

Pursuant to Art. 12 of the Articles of Association, all shareholders entitled to take part in the Shareholders’ Meeting may be represented by written proxy in accordance with the law. Proxies may also be submitted to the Company by e-mail in the manner indicated in the notice of meeting. The Company does not designate representatives to whom authorised persons may confer a proxy with voting instructions.

The Chairman of the Shareholders’ Meeting is responsible for determining that proxies are valid within the limits indicated above and, generally, for establishing the right to take part in the shareholders’ meeting. The duly constituted general Shareholders’ Meeting represents all shareholders and its resolutions, passed in accordance with the law and the Articles of Association, are binding on all shareholders, including absent and dissenting shareholders.

The Chairman of the Shareholders’ Meeting determines, including through persons appointed by him or her, the right of shareholders to participate, including by proxy and verifies the validity of representation documents.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors. If he or she is absent, unable or unwilling to attend, the Shareholders' Meeting is chaired by the Deputy Chairman or by a managing director, or by any other director designated by the Board of Directors, where appointed; if such persons are also absent, the Shareholders' Meeting is chaired by a person, not required to be a shareholder, appointed by the shareholders in general meeting. Resolutions passed by Shareholders' General Meetings must be recorded in minutes signed by the Chairman and secretary.

The minutes of general meetings must be written up by a notary in cases prescribed by law and/or where deemed appropriate by the Board of Directors.

In order to ensure the orderly, effective conduct of the Shareholders' Meeting and the right of all shareholders to express themselves on the matters up for discussion, Shareholders' Meeting regulations were approved on 6 September 2000. The regulations are available from the Company's website.

During the reporting period ended 30 June 2019, the only Ordinary Shareholders' General Meeting was held on 26 October 2018 and was attended by six of the eight directors in office at that date.

The Board of Directors reported to the shareholders' general meeting on planned and past activity and strove to ensure that the shareholders were adequately informed of the matters necessary for them to be able to make informed decisions on the issues before the shareholders' meeting.

No members of the Remuneration Committee reported to the Shareholders' General Meeting on the methods employed to fulfil the functions of the Committee. The Chairman of the Remuneration Committee attended the General Meeting.

During the reporting period, there were no significant changes in the composition of share capital or in market capitalisation.

## **17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-bis (2)(a) of the Consolidated Finance Act)**

There are no additional corporate governance practices on top of those in the organisational model pursuant to Legislative Decree 231, as described above.

## **18. CHANCES SINCE THE REPORTING DATE**

There have been no changes since the reporting date.

## **19. COMMENTS ON THE LETTER DATED 21 DECEMBER 2018 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The recommendations contained in the letter dated 21 December 2018 from the Chairman of the Corporate Governance Committee were brought to the attention of the Board at the meeting held on 28 February 2019. The recommendations contained therein have been partially considered, as described in the Corporate Governance Report.

## **20. SUMMARY TABLES**

The following tables provide a summary of the composition of the Board of Directors and the Board of Statutory Auditors and the methods of adoption of the main recommendations of the Corporate Governance Code.

| Board of Directors                                                                                                   |                               |               |                      |                 |                      |             |         |          |                                                   |               |      |                                            | Internal Control and Risk Management Committee |      | Remuneration and Appointments Committee |                   | Related Parties Committee |      |
|----------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------|----------------------|-----------------|----------------------|-------------|---------|----------|---------------------------------------------------|---------------|------|--------------------------------------------|------------------------------------------------|------|-----------------------------------------|-------------------|---------------------------|------|
| Office                                                                                                               | Member                        | Year of birth | Date first appointed | In office since | In office until      | List (M/m)* | Exec    | Non-exec | Indep per code                                    | Indep per CFA | % ** | No of other appointments                   | ****                                           | **   | ****                                    | **                | ****                      | **   |
| Director                                                                                                             | Carrara Paola <sup>1</sup>    | 1976          | 2019                 | 6/06/2019       | Next General Meeting |             |         | X        | X                                                 | X             | N.A. | 5                                          | X                                              | 100% |                                         |                   | X                         | 100% |
| Director                                                                                                             | Florean Lidia                 | 1951          | 2014                 | 27/10/2017      | Approval of 2020 FS  | M           |         | X        |                                                   |               | 100% | 0                                          |                                                |      |                                         |                   |                           |      |
| Chairman and Managing Director                                                                                       | Galante Abramo                | 1963          | 1991                 | 27/10/2017      | Approval of 2020 FS  | M           | X       |          |                                                   |               | 100% | 0                                          |                                                |      |                                         |                   |                           |      |
| Director                                                                                                             | Galante Davide                | 1933          | 1991                 | 27/10/2017      | Approval of 2020 FS  | M           |         | X        |                                                   |               | 90%  | 0                                          |                                                |      |                                         |                   |                           |      |
| Managing Director                                                                                                    | Galante Raffaele              | 1965          | 1991                 | 27/10/2017      | Approval of 2020 FS  | M           | X       |          |                                                   |               | 80%  | 0                                          |                                                |      |                                         |                   |                           |      |
| Director                                                                                                             | La Maida Luciana              | 1977          | 2017                 | 27/10/2017      | Approval of 2020 FS  | M           |         | X        | X                                                 | X             | 90%  | 0                                          | X                                              | 100% | X                                       | 100%              | X                         | 100% |
| Director                                                                                                             | Longhin Irene                 | 1969          | 2017                 | 27/10/2017      | Approval of 2020 FS  | M           |         | X        | X                                                 | X             | 100% | 0                                          | X <sup>2</sup>                                 | 100% | X                                       | 100%              | X <sup>2</sup>            | 100% |
| Director                                                                                                             | Pedretti Susanna <sup>1</sup> | 1977          | 2019                 | 6/06/2019       | Next General Meeting |             |         | X        | X                                                 | X             | N.A. | 2                                          | X                                              | 100% | X                                       | N.A. <sup>3</sup> | X                         | 100% |
| Director                                                                                                             | Salbe Stefano                 | 1965          | 2005                 | 27/10/2017      | Approval of 2020 FS  | M           | X       |          |                                                   |               | 100% | 1                                          |                                                |      |                                         |                   |                           |      |
| Director                                                                                                             | Treves Dario                  | 1968          | 2000                 | 27/10/2017      | Approval of 2020 FS  | M           | X       |          |                                                   |               | 100% | 0                                          |                                                |      |                                         |                   |                           |      |
| <b>DIRECTORS WHO LEFT OFFICE DURING THE REPORTING PERIOD</b>                                                         |                               |               |                      |                 |                      |             |         |          |                                                   |               |      |                                            |                                                |      |                                         |                   |                           |      |
| Director                                                                                                             | Guetta Guido                  | 1969          | 2009                 | 27/10/2017      | 8/11/2018            | M           |         | X        | X                                                 | X             | 25%  | 0                                          | X                                              | 100% | X                                       | 100%              | X                         | 100% |
| Director                                                                                                             | Mignani Paola                 | 1966          | 2018                 | 26/10/2018      | 5/06/2019            |             |         | X        | X                                                 | X             | 100% | 5                                          | X                                              | 100% | X                                       | 80%               | X                         | 100% |
| Director                                                                                                             | Morini Elena                  | 1980          | 2014                 | 27/10/2017      | 13/09/2018           | M           |         | X        | X                                                 | X             | 0%   | 0                                          | X                                              | 100% |                                         |                   | X                         | 100% |
| Director                                                                                                             | Soresina Bruno                | 1944          | 2000                 | 27/10/2017      | 6/08/2018            | M           |         | X        | X                                                 | X             | 0%   | 0                                          | X                                              | 0%   | X                                       | 0%                | X                         | 0%   |
| <b>Indicate quorum required for presentation of lists on occasion of last appointment (Art. 147 - ter CFA): 4.5%</b> |                               |               |                      |                 |                      |             |         |          |                                                   |               |      |                                            |                                                |      |                                         |                   |                           |      |
| <b>No of meetings held during the reporting period:</b>                                                              |                               |               |                      |                 |                      |             | BoD: 10 |          | Internal Control and Risk Management Committee: 5 |               |      | Remuneration and Appointments Committee: 6 |                                                |      | Related Parties Committee: 4            |                   |                           |      |

## NOTES

\* This column contains “M” or “m” depending on whether the member was elected from the majority list (“M”) or a minority list (“m”).

\*\* This column indicates the directors’ attendance in percentage terms at meetings of the Board of Directors and committees (No. of attendances/No. of meetings held during the period the person concerned was in office).

\*\*\* This column indicates the number of positions held as director or statutory auditor by the person concerned with other companies listed on regulated markets in Italy or abroad and with finance, banking or insurance companies, or companies of significant size. A full list of such positions is published by Consob on its website pursuant to Art. 144-quinquiesdecies of the Consob Issuers’ Regulation.

\*\*\*\* An “X” in this column indicates that the member of the Board of Directors is a member of the committee.

<sup>1</sup> Percentage attendance has not been calculated as no BoD meetings were held after the date of appointment of the persons in question.

<sup>2</sup> Member between 8 November 2018 and 6 June 2019.

<sup>3</sup> Percentage attendance not calculated as no meetings of the Remuneration and Appointments Committee were held after appointment of said individual as a member.

| <b>Board of Statutory Auditors</b>                                                                                    |                  |               |                           |                 |                     |             |                |        |                              |
|-----------------------------------------------------------------------------------------------------------------------|------------------|---------------|---------------------------|-----------------|---------------------|-------------|----------------|--------|------------------------------|
| Office                                                                                                                | Member           | Year of birth | Date of first appointment | In office since | In office until     | List (M/m)* | Indep. by Code | (%) ** | No of other appointments *** |
| Chairman                                                                                                              | Villa Paolo      | 1965          | 2002                      | 27/10/2017      | Approval of 2020 FS | M           | YES            | 100%   | 5                            |
| Statutory auditor                                                                                                     | Maria Pia Maspes | 1970          | 2017                      | 27/10/2017      | Approval of 2020 FS | M           | YES            | 100%   | 13                           |
| Statutory auditor                                                                                                     | Luca Pizio       | 1963          | 2017                      | 27/10/2017      | Approval of 2020 FS | M           | YES            | 88%    | 5                            |
| <b>SINDACI CESSATI DURANTE L'ESERCIZIO DI RIFERIMENTO</b>                                                             |                  |               |                           |                 |                     |             |                |        |                              |
| Statutory auditor                                                                                                     |                  |               |                           |                 |                     |             |                |        |                              |
| <b>Indicate quorum required for presentation of lists on occasion of last appointment (Art. 147-quater TUF): 4.5%</b> |                  |               |                           |                 |                     |             |                |        |                              |
| <b>No of meetings held during the period: 8</b>                                                                       |                  |               |                           |                 |                     |             |                |        |                              |

## NOTES

\* This column contains “M” or “m” depending on whether the member was elected from the majority list (“M”) or a minority list (“m”).

\*\* This column indicates the attendance in percentage terms of the statutory auditors at meetings of the Board of Statutory Auditors (No. of attendances/No. of meetings held during the period the person concerned was in office).

\*\*\* This column indicates the number of positions held as director or statutory auditor by the person concerned with other companies listed on regulated markets in Italy or abroad and with finance, banking or insurance companies, or companies of significant size. A full list of such positions is published by Consob on its website pursuant to Art. 144-quinquiesdecies of the Consob Issuers’ Regulation.