

# **REPLY**

# **REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE 2020**

Reply S.p.A.

# REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE 2020

Approved by the Board of Directors on 15 march 2021

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

Pursuant to art.123 bis Legislative Decree no. 58/1998.

<b>4</b>	<b>CORPORATE GOVERNANCE SYSTEM</b>
<b>5</b>	<b>OWNERSHIP STRUCTURE (EX ART. 123-BIS, PARAGRAPH 1 OF LEGISLATIVE DECREE 58/1998) AS AT 15 MARCH 2021</b>
5	Capital Structure
6	Restriction on the transfer of shares
6	Significant shareholders
6	Shares granting special rights
7	Employee shareholdings: mechanism exercising voting rights
7	Restrictions on voting rights
7	Agreement with shareholders
8	Change of control clause and statutory rulings in public tender offers
8	Financing contracts
9	Business agreements and contracts
9	Public Offers
9	Proxies to increase the share capital and authorization to buy treasury shares
<b>11</b>	<b>MANAGEMENT AND COORDINATION ACTIVITIES</b>
<b>11</b>	<b>COMPLIANCE (EX ART 123-BIS, PARA 2, LETTER A), TUF)</b>
<b>12</b>	<b>BOARD OF DIRECTORS</b>
12	Nomination and substitution of Directors
13	Members
15	Diversity policies
22	Role of the Board of Directors
25	Chairman of the Board of Directors, Chief Executive Officers and Executive Directors
30	Independent Directors
32	Lead Independent Director
<b>32</b>	<b>PROCESSING OF CONFIDENTIAL INFORMATION</b>
<b>33</b>	<b>COMMITTEES WITHIN THE BOARD OF DIRECTORS</b>
<b>34</b>	<b>REMUNERATION COMMITTEE</b>
<b>34</b>	<b>REMUNERATION OF DIRECTORS</b>
<b>35</b>	<b>INTERNAL CONTROL AND RISKS COMMITTEE</b>
<b>36</b>	<b>INTERNAL CONTROL AND RISK MANAGEMENT</b>
37	Foreword
37	Instruments monitoring business objectives
38	Instruments monitoring compliance objectives
39	Instruments monitoring reporting objectives
39	Characteristics of the current internal control and risk management system over financial reporting
42	Director in charge of the internal control system
43	Head of the Internal Audit department
43	Organization, management and control model pursuant to Legislative Decree 231/01
45	Independent Audit firm
45	Director in charge of drawing up the Financial Statements and legal documents
45	Coordination between those involved in the Internal control and risk management system
<b>46</b>	<b>DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES</b>
<b>48</b>	<b>APPOINTMENT OF STATUTORY AUDITORS</b>
<b>49</b>	<b>DIVERSITY POLICIES</b>
<b>50</b>	<b>STATUTORY AUDITORS</b>
<b>53</b>	<b>RELATIONS WITH SHAREHOLDERS</b>
<b>54</b>	<b>GENERAL SHAREHOLDERS' MEETING</b>
<b>55</b>	<b>OTHER CORPORATE GOVERNANCE PRACTICES</b>
<b>55</b>	<b>CHANGES SUBSEQUENT TO THE YEAR-END UNDER REVIEW</b>

## CORPORATE GOVERNANCE SYSTEM

The Corporate governance system adopted by the company, that is, the set of laws and by-laws adopted in order to ensure the efficient and transparent functioning of the corporate bodies and of the control systems, adheres to the Corporate Governance Code issued by Borsa Italiana in March 2006, updated in July 2018 (hereinafter “the Code”).

In January 2020 the Corporate Governance Committee approved the new Corporate Governance Code of listed companies applicable from the first financial year that begins after December 31, 2020.

The Company is incorporated under Italian law and listed on the stock exchange on the MTA market, STAR segment. The governance structure of Reply S.p.A. – based on the traditional model – is made up of the following bodies: The General Shareholders’ meeting, the Board of Directors (that carries out its function through Executive Directors and is advised by an Internal Control and Risks Committee and a Remuneration Committee), the Board of Statutory Auditors and Independent Auditors.

The General Shareholders’ meeting is the corporate body, which expresses the requests of the shareholders through its resolutions. Resolutions passed in compliance with the law and the by-laws are binding on all shareholders independently whether they agree or disagree unless the latter draw out, in the cases allowed. The Shareholders are convened according to the rules set out for listed companies.

The Board of Directors has the function to define and approve the company’s strategic, operating and financial plans in addition to the corporate structure it heads. The Board is invested with the broadest powers of management of the company in order to perform all the actions held to be most appropriate in the pursuit of the company object, with the exception of those reserved to the Shareholders’ meeting.

The Board of Statutory Auditors is responsible for the supervision of compliance with the law and by-laws and more specifically:

- supervision of proper management by verifying:
  - › the respect of good management principles;
  - › the adequate structure of the company;
  - › the implementation of the rules of corporate governance;
  - › the adequacy of information disclosed by the subsidiaries in relation to mandatory information to the market and concerning privileged information.
- role of committee for internal control and audit responsible for overseeing
  - › the financial reporting process;
  - › the effectiveness of the internal control, internal audit and risk management systems;

- › the audit of the annual separate and consolidated accounts;
- › the independence of the independent auditors;
- informing the administrating body, the outcome of the audit;
- is responsible for the procedures in the independent audit firm selection.

The Board of Statutory Auditors is not responsible for the legal audit which is a function performed by an independent company appointed by the Shareholders' meeting.

The independent audit firm is responsible for checking that the company's accounts are properly kept and that managerial operations are correctly reflected in the accounting records. The auditors also verify that the separate and consolidated accounts correspond to the accounting records and to verifications performed and that they are in compliance with the applicable regulations. The Independent Auditors can also perform other services upon request of the Board of Directors, if not incompatible with the legal audit engagement.

Governance also includes the Internal Control System, the Organizational and management Model pursuant to Article 6 of Legislative Decree no. 231/2011 and the structure of the powers and proxies, as presented herein.

The following Report - and where it is deemed necessary in the Report on Remuneration policy and compensation paid - includes the governance structure adopted in 2020 and examined by the Board of Directors on 15 March 2021 and it accounts for the recommendations of the Code that the Board of Directors has decided not to adopt, providing related motivations and/or, where pertinent, the alternative recommendations adopted.

The Report on Corporate Governance, that is an integral part of the Report on Operations, along with the company's by-laws, are available on the company's website ([www.reply.com](http://www.reply.com) – under – Investors – Corporate Governance).

## **OWNERSHIP STRUCTURE (EX ART. 123-BIS, PARAGRAPH 1, OF ITALIAN LEGISLATIVE DECREE. 58/1998) AT 15 MARCH 2021**

### **CAPITAL STRUCTURE**

The share capital structure of Reply S.p.A. is summarized below.

The share capital fully paid and subscribed at 15 March 2021, amounts to 4,863,485.64 Euros, divided in 37,411,428 ordinary shares having nominal value of 0.13 Euros, of which 4,028 treasury shares with a suspended vote pursuant to Article 2357 of the Civil Code and 14,872,556 double voting shares.

It is to be noted that no other form of shares exist.

At present stock option plans no longer exist as they have been entirely exercised.

#### **OWNERSHIP STRUCTURE**

	<b>ORDINARY SHARES</b>	<b>% WITH RESPECT TO S.C..</b>	<b>LISTED/NON-LISTED</b>	<b>RIGHTS AND OBLIGATIONS</b>
Ordinary shares	22,534,844	60.235%	Listed	ex law
of which shares without voting right	4,028	0.0108%	Listed	treasury shares
Double voting share	14,872,556	39.754%	Listed	two votes per share
Limited voting share	-	-	-	-
Other	-	-	-	-

#### **RESTRICTIONS ON THE TRANSFER OF SHARES**

The by-laws do not foresee restrictions on the transfer of shares.

#### **SIGNIFICANT SHAREHOLDERS**

According to the Shareholders' Ledger, to the notifications received in compliance to the laws and according to other available information as at 15 March 2021, the shareholders that directly or indirectly hold stakes greater than 3% of the share capital having the right to vote are the following:

<b>SHAREHOLDER</b>	<b>DIRECT SHAREHOLDER</b>	<b>OWNERSHIP % OVER SHARE CAPITAL</b>	<b>OWNERSHIP % OVER VOTING CAPITAL</b>
Rizzante Mario	Alika S.r.l.	39.754%	56.891%

#### **SHARES GRANTING SPECIAL RIGHTS**

No shares have been issued that grant special rights of control.

On September 13 2017 the Extraordinary Shareholders' Meeting also approved the introduction of the double voting rights effective from 10 October 2017. All information related to the double voting right was made available on the Company's website at the effective date of the changes of the Article of Association. As at 15 March 2021 the shareholder Alika S.r.l. has requested to qualify for the double vote (2 votes per share) with its 39.754% share in the company equal to 14,872,556 shares. No other shareholders have requested to benefit of the double voting rights.

#### **EMPLOYEE SHAREHOLDINGS: MECHANISM EXERCISING VOTING RIGHTS**

In the case of employee shareholdings, a system by which the voting right can be exercised directly by someone else does not exist.

#### **RESTRICTIONS ON VOTING RIGHTS**

The company by-laws have not established restrictions on voting rights.

## AGREEMENT WITH SHAREHOLDERS

At present, the Company has the following lock-up agreements in compliance to art. 122 of Legislative Decree n. 58/1998, in which shareholders have more than 3% of the share capital, agreement signed in continuity with the previous one on 21 May 2018, by which the shareholders of Iceberg S.r.l., with headquarters in Torino Corso Francia no. 110, share capital of 46,206.00 Euros entirely called up, fiscal code and Torino company registration no. 07011510018, for a stake of 46,206.00 Euros equivalent to 100% (hundred percent) of the share capital and more specifically:

- Mr. Mario Rizzante:
  - › full ownership of 462 Euros, equivalent to approximately 1% of the share capital
  - › right of usufruct and vote on 5,244 Euros, equivalent to approximately 11.35% of the share capital, in bare property to Mr. Filippo Rizzante and Mrs. Tatiana Rizzante
- Mr. Filippo Rizzante
  - › full ownership of 11,700 Euros, equivalent to approximately 25,32% of the share capital
  - › bare property on 2,622 Euros, equivalent to approximately 5.67% of the share capital, without voting rights in favor of Mr. Mario Rizzante
  - › bare property on 8,550 Euros, equivalent to approximately 18.50% of the share capital, without voting rights in favor of Mrs. Graziella Paglia
- Mrs. Tatiana Rizzante
  - › full ownership of 11,700 Euros, equivalent to approximately 25,32% of the share capital
  - › bare property on 2,622 Euros, equivalent to approximately 5.67% of the share capital, without voting rights in favor of Mr. Mario Rizzante
  - › bare property on 8,550 Euros, equivalent to approximately 18.50% of the share capital, without voting rights in favor of Mrs. Graziella Paglia.
- Mrs. Graziella Paglia
  - › right of usufruct and vote on 17,100 Euros, equivalent to approximately 37.01% of the share capital, in bare property to Mr. Filippo Rizzante and Mrs. Tatiana Rizzante

have signed a lock up agreement according to ex Article 122 of TUF for a three-year period and renewable for equal periods as long as one of the shareholders does not communicate the cancellation with a six months' written notice, having the right to vote in the company Iceberg S.r.l., indirect holding of Reply S.p.A. through Alika S.r.l..

## CHANGE OF CONTROL AND STATUTORY RULINGS IN PUBLIC TENDER OFFICES

With reference to agreements that could be cancelled in relation to a change of control in Reply S.p.A., the following is noted:

## **FINANCING CONTRACTS AND MORTGAGE**

Reply S.p.A., has entered into the following loan agreements with Intesa Sanpaolo:

- on 28 July 2016 a contract was signed for a starting amount of 49 million Euros (such credit line was used for 8.6 million Euros at 31 December 2020);
- on 29 October 2019 a contract was signed for 50 million Euros to be used by 30 June 2021 (as at December 31, 2020 this line had not been used).

Reply S.p.A., has entered into the following loan agreements with Unicredit S.p.A.:

- on 30 September 2015 a contract was signed for 25 million Euros and then on 17 February 2017 was reduced to 1.5 million Euros (such credit line was used for 5 million Euros at 31 December 2020);
- on 17 February 2017 a contract was signed for 50 million Euros; this line had not been used and had been expired on 28 February 2020;
- on 8 May 2020 a contract was signed for 50 million Euros; such credit line was used for 0.5 million Euros at 31 December 2020.

These contracts, having the scope of financing the Group for acquisitions on the Italian or European market, allow the funding banks the faculty to call off the contract in case of a change of control directly or indirectly in Reply S.p.A., in accordance with Art. 2359 of the Italian Civil Code.

On 24 May 2018 Reply S.p.A. undersigned with Unicredit S.p.A. a mortgage loan secured by guarantee for a total amount of 40,000 thousand Euros to use, through several pre-amortization disbursements, in order to grant a special loan to the Third Party Mortgage Lender (Reply Services S.r.l.) in relation to the purchase and renovation of the property “Caserma De Sonnaz” that will be used to host the offices of the Group. Such credit line was used for 15.3 million Euros at 31 December 2020.

## **BUSINESS AGREEMENTS AND CONTRACTS**

Within some business agreements and contracts undersigned by Reply S.p.A. it is mandatory to notify the change of control: The Company has also undersigned contracts in which the clause “Change of control” implies immediate cancellation of the contract.

Such agreements, which are not very significant when compared to the whole of Group activities, are subject to confidentiality clauses.

## **PUBLIC OFFICES**

Reply’s by-laws do not provide any regulations in relation to the passivity rule provided for by art. 104, paragraph 1-bis of TUF nor does it foresee the application of the neutralization rules contemplated in art. 104-bis, paragraphs 2 and 3 of the TUF.

## **PROXIES TO INCREASE SHARE CAPITAL AND AUTHORIZATION TO BUY TREASURY SHARES**

The General Shareholders’ meeting has given proxy to the Board of Directors to increase the share capital, pursuant to Article 2443 of the Civil Code.



The information regarding the current proxies is detailed in the table below:

RESOLUTION		AMOUNT			PROXY EXECUTED	
THE GENERAL SHAREHOLDERS' MEETING	PROXY	EXPIRY DATE	EUROS	SHARES	THE GENERAL SHAREHOLDERS' MEETING	PROXY
21/04/2016	The Board of Directors has the proxy to increase the share capital with the exclusion of pre-emptive rights, payable in different forms and to be executed separately against payment in shares of enterprises having the same business scope or instrumental to the development of the Company's activities.	21/04/2021	312,000	2,400,000	-	-

On 21 April 2016 the Company resolved to grant the Board of Directors, pursuant to Article 2443 of the Civil Code, the powers to increase the share capital in one or more tranches for a period of five years pursuant to art. 2441 paragraph 4, for a maximum nominal value of 312,000 Euros through the issue of 600,000 Reply S.p.A ordinary shares, with a par value of 0.52 Euros each, to be executed in one or more tranches and therefore separable, for a maximum five-year period.

Following the stock split with a ratio of 1:4, resolved by the Extraordinary Shareholders' meeting of 13 September 2017, the increase of the share capital delegated to the Board of Directors by the aforementioned meeting remained unchanged in its total nominal value and is referred to a maximum of 2.4 million shares issued of nominal value of euro 0.13 each.

The new shares will be issued separately against payment in shares of enterprises having the same business scope or instrumental to the development of the Company's activities.

The Board of Directors pursuant to Article 2441, paragraph 6 of the Civil Law, shall determine the price of the shares with reference to the trend of the stock market for the operation in the increase of share capital, and subordinated to the best practice methods of evaluation at an international level that take into consideration the market multipliers of comparable companies and to financial economic models commonly recognized and used in the respect of the minimum share price calculated as the single value of the share of the consolidated net equity resulting in the most recently approved Financial Statements by the Board of Directors prior to the resolution of the increase in share capital.

The Shareholder's, following resolution passed on 21 April 2020, have authorized the acquisition of treasury shares in accordance with art. 2357 of the Italian Civil Code as follows:

**number of shares:** considering the treasury shares already held by the Company at the said date, a maximum

number of 7,478,256 ordinary shares at 0.13 Euros, corresponding to 19.9892% of the existing share capital within the maximum spending limit of 200,000,000 Euros;

**duration:** for a period of 18 months, that is from 21 April 2020 to 21 October 2021, in substitution of the previous authorization resolved by the Shareholders' meeting of 21 April 2020;

**minimum purchase price:** nominal value of the ordinary shares (presently 0.13 Euros);

**maximum purchase price:** not greater than the official trade price on the MTA Market the day prior to the purchase applying a spread of 20%, and a disbursement of maximum 100,000,000 Euros;

**authorization to sell:** (i) on the market or in blocks, through a public bid; (ii) sale, transfer, or trade of shares for investment acquisitions or negotiations with strategic partners (iii) following agreements made with individual Directors, employees and or collaborators of the Company or with directly or indirectly controlled companies, that do not meet the requirements of Stock granting pursuant to ex. Art. 114 bis of the TUF (iv) against payment in kind pursuant to the regulations of the Stock Granting plans.

At the reporting date the company held 4,028 treasury shares, equal to 0.0108% of the share capital.

It is to be noted that:

- the information requested by art.123-bis, first paragraph letter i) of TUF is disclosed in the Report on remuneration policy and compensation paid;
- the information requested by art.123-bis, first paragraph letter l) of TUF is disclosed in the Directors' report at the paragraph disclosing information on the Board of Directors;
- information requested by art. 123-bis, second subparagraph, letter d)-bis of the TUF are illustrated in the Non-financial declaration.

## MANAGEMENT AND COORDINATION ACTIVITIES

Reply S.p.A. is not subject to management and coordination activities pursuant to Article 2497 and subsequent of the civil code.

The Parent company does not exercise control and coordination activities over Reply S.p.A. in as much as it qualifies as a holding, lacking an autonomous organizational structure and consequently does not carry out management activities for Reply S.p.A.

All the Italian subsidiaries held, directly or indirectly, by Reply S.p.A. have accurately disclosed the control and coordination to which they are subject by Reply S.p.A. in accordance with art. 2497 – bis of the Italian Civil Code.

## COMPLIANCE (EX ART. 123-BIS, PARA 2, LETTER A, TUF)

The Report herein reflects and illustrates the corporate governance structure that the Company has adopted in compliance to the requirements of the Code, available on Borsa Italiana's website [www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf](http://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf) and to which the Company has adhered.

In January 2020, the Corporate Governance Committee approved the new version of the Corporate Governance Code that came into force commencing financial year 2021.

As of 2021, the Company is adopting conducts consistent with the new version of the Code and is willing to assess the impact of further innovations introduced by the new Corporate Governance Code and to what extent, means and timing, to introduce further adjustments to the Corporate Governance system.

In fact, the Board of Directors is always inclined at evaluating any new views and orientations that the Corporate Governance Code could consider and eventually integrate and amend the Company's Corporate Governance only if, and compatible with the company's reality, and that such integration enables the Company to further strengthen its reliability with investors.

Reply S.p.A. and its key strategic subsidiaries, to the Board of Directors knowledge, are not subject to foreign laws that have an influence on the corporate governance structure of the Issuer.

## BOARD OF DIRECTORS

### NOMINATION AND SUBSTITUTION OF DIRECTORS

The nomination and substitution of Directors is disciplined by art. 16 (Nomination of Directors) of the by-laws, and is available on the Company's website ([www.reply.com](http://www.reply.com) under – Investors – Corporate Governance).

Art. 16 of the Company by-laws, regulates that:

- the list of candidates running for Director, shall be deposited at the company's registered office twenty-five days prior to the date of the first call for the Annual General Shareholders' meeting; at least twenty-one days prior to the Shareholders' meeting, the list together with the information and declarations required, shall be made available to the public;
- only those shareholders that alone or together with others represent 2.5% of the ordinary voting shares have the right to present the lists or the minimum minority voting share required in accordance with binding laws or regulations, in Reply S.p.A.'s case this is equal to 1% for 2021;
- the lists that do not reach the percentage of votes equivalent to at least half of those required for the presentation of the same, cannot be considered when apportioning the Directors to be elected;
- the list presenting candidates equivalent or superior to three shall be composed by candidates from both genders, so as the number of candidates, in accordance to the regulations of the Report, belong also

to the less represented genders (rounded up if in excess, with the exception of the corporate bodies consisting of three components for which the it will be rounded down to the lower unit);

- the voting mechanism appoints the Directors from the list having obtained the majority votes by the shareholders and following the order on the list, five sevenths of the Directors will be selected from the eligible candidates, while the remaining Directors will be selected from the other lists, guaranteeing in any case, that at least one candidate has been voted by the minority list that has received the most number of votes and that is not connected in any way, not even indirectly, to the shareholders that presented or voted the list that reached the greatest number of votes;
- in the case where the minimum number of Independent Directors have not been nominated according to the procedure mentioned above, the last candidate elected from each list which has been nominated by at least one Director and who has received the most votes will be substituted by the candidate immediately following until the minimum number of Independent Directors have been elected.
- as to represent a balance in the genders, the last candidate elected from the section of the list that obtained the most votes belonging to the most represented gender shall lapse and shall be replaced by the first candidate not elected from the same list and the same section belonging to the least represented gender. Otherwise, the Shareholders' Meeting shall make up the number of the Board of Statutory Auditors with the majorities required by law, ensuring that the requirement is complied with.
- the company by-laws regulate that Independent Directors not only must meet the requirements established for Statutory Auditors in accordance with art. 148, paragraph 3, of Legislative Decree 24 February 1998 no. 58, but must also meet requirements established by the Corporate governance code adopted by the Company.

## MEMBERS

The Company's Board of Directors is made up of a variable number of members from a minimum of 3 to a maximum of 11. The number of members is resolved by the Annual General Shareholders' meeting.

As required by the Corporate Governance Code, the Board of Directors is made up of Executive and Non-Executive Directors, the number, competence, authority and time availability of Non-Executive Directors shall be such as to ensure that their judgment may have a significant impact on the taking of board's decisions.

At present the Board of Directors is made up of nine (9) Directors of which six (6) Executive:

- Mr. Mario Rizzante Chairman and Chief Executive Officer
- Ms. Tatiana Rizzante Chief Executive Officer
- Mr. Filippo Rizzante Executive Director
- Mr. Daniele Angelucci Executive Director
- Mr. Claudio Bombonato Executive Director
- Mrs. Elena Maria Previtera Executive Director

and three (3) Non-Executive and Independent Directors:

- Mr. Fausto Forti (Lead Independent Director)
- Mrs. Secondina Giulia Ravera
- Mr. Francesco Umile Chiappetta

The Directors operate and take decisions in an informed and unconditioned matter, pursuing the primary objective of creating value for the shareholders. They hold office with the awareness of being able to dedicate the necessary time in order to carry out their actions diligently.

The members above were nominated through the Annual Shareholders' resolution on April 23, 2018 based on the list presented.

In particular, the following lists have been presented:

Alika List with the following candidates: Mr. Mario Rizzante (President), Mrs. Tatiana Rizzante, Mr. Filippo Rizzante, Mr. Daniele Angelucci, Mr. Claudio Bombonato, Mrs. Elena Maria Previtera, Mr. Fausto Forti (Independent), Mr. Oscar Pepino and Mrs. Maria Letizia Jaccheri (Independent).

Investors List with the following candidates: Mrs. Secondina Giulia Ravera (Independent) and Mr. Francesco Umile Chiappetta (Independent).

Lodigiani list with the following candidates: Mr. Enrico Macii (Independent) and Mrs. Stefania Pezzetti (Independent).

Members nominated from the Alika list who obtained the highest number of votes equal to 61.19% are: Mr. Mario Rizzante (President), Mrs. Tatiana Rizzante, Mr. Filippo Rizzante, Mr. Claudio Bombonato, Mr. Daniele Angelucci, Mrs. Elena Maria Previtera and Mr. Fausto Forti (Lead Independent Director).

Members nominated from the Investors list who obtained a number of votes equal to 34.70% are: Mrs. Secondina Giulia Ravera and Mr. Francesco Umile Chiappetta.

Office for the above members will terminate with the approval of the 2020 financial statements.

The Chairman coordinates the activities and conducts the Board of Directors Meetings and takes the necessary actions so as to inform the members well in advance on significant points and useful items in order to participate in a profitable manner with the exception of urgent and confidential matters.

The Chairman furthermore, by means of the operational members of the company, makes sure that the Directors participate in initiatives aimed at increasing knowledge of the company reality and its evolution and that they are informed about the major new legislation and regulations that concern the Company and its governing bodies.

With regard to the application of the criterion of apportionment based on a criterion that satisfies an equal gender balance, pursuant to pre-Art. 147 ter, paragraph 1 ter of the TUF, the Company has applied this for the first time with the renewal of the corporate bodies that took place in 2015.

## **DIVERSITY POLICIES**

The diversity policies adopted by the Company are disclosed in the Non-financial declaration.

The table below discloses the main information related to the Board of Directors in compliance with Article 144-duodecies issued by Consob:

Name	Position held	Year of birth	Date of first nomination	Board of Directoris								Internal control and risks committee		Remuneration committee	
				In office	L (**)	E	N/E	I. code	I. TUF	%	Other offices	Attendance	%	Attendance	%
Mario Rizzante	Chairman and Chief Executive Officer	1948	10/07/2000	From 23/4/18 to 31/12/20 (*)	M	X	-	-	-	-	100.00%	-	-	-	-
Tatiana Rizzante	Chief Executive Officer	1970	10/06/2003	From 23/4/18 to 31/12/20 (*)	M	X	-	-	-	-	100.00%	1	-	-	-
Claudio Bombonato	Executive Director	1946	13/12/2007	From 23/4/18 to 31/12/20(*)	M	X	-	-	-	-	100.00%	-	-	-	-
Daniele Angelucci	Executive Director	1956	27/04/2012	From 23/4/18 to 31/12/20(*)	M	X	-	-	-	-	100.00%	-	-	-	-
Filippo Rizzante	Executive Director	1972	27/04/2012	From 23/4/18 to 31/12/20(*)	M	X	-	-	-	-	100.00%	-	-	-	-
Elena Maria Previtera	Executive Director	1971	23/04/2018	From 23/4/18 to 31/12/20(*)	M	X	-	-	-	-	100.00%	-	-	-	-
Fausto Forti	Non-Executive Director and Lead	1949	19/04/2004	From 23/4/18 to 31/12/20(*)	M	-	X	X	X	X	100.00%	-	X	X	100%
Secondina Giulia Ravera	Independent Director	1966	23/04/2018	From 23/4/2018 to 31/12/20(*)	m	-	X	X	X	X	100.00%	4	X	X	100%
Francesco Urmile Chiappetta	Non-Executive Independent Director	1960	23/04/2018	From 23/4/2018 to 31/12/20(*)	m	-	X	X	X	X	100.00%	2	X	X	100%
Number of meetings held in 2020				Board meetings: 4								Meetings of the Risk and Control Committee: 3		Meetings of the Remuneration Committee: 2	

(\*) in office until the Shareholders' meeting for the approval of 31 December 2020 Financial Statements

(\*\*) the last quorum for the presentation of the lists reached 1%. Nomination was unanimous with votes in favor amounting to 74.88% of the share capital.

Legend

L: list

M/m: M/majority list m/minority list

E: Executive

N.E.: Non-Executive

i: independent

I TUF: independent pursuant to Art. 148 TUF

Following is a brief description of personal and professional qualities of the members of the Board of Directors of the Company.

**Mario Rizzante (Chairman, Chief Executive Officer and founder of Reply S.p.A.)**

Mr. Rizzante received a graduate in Science of Informatics at the University of Turin. In the 70's, within the Fiat Group, Mr. Rizzante worked on several projects for manufacturing automation. In 1981 Mr. Rizzante left Fiat and founded Mesarteam S.p.A., a System Integration company that in a few years became one of the leading Italian companies in the ICT sector. In 1990 Mesarteam was sold to Sligos, company belonging to the Group Crédit Lyonnais and Mr. Rizzante contributed as Chairman and strengthened relations with important international clients. In 1994 Mr. Rizzante joined Digital (now HP), as Southern Europe Territory Manager of System Integration and Consulting. In June 1996, together with other partners Mr. Rizzante decided to undertake a new entrepreneur endeavor: constructing a system integration and consulting company specialized in new internet technologies. Reply comes to life. Within only four years since its constitution, in December 2000, Mr. Rizzante leads Reply to the Stock market, listing it on the market in Milan. Under his leadership, Reply embarks on a path of internationalization, which sees it grow and expand in Europe, in America and in Brazil becoming a point of reference for companies that consider technological innovation one of the main competitive levers, such as Artificial Intelligence, Cloud Computing, the Big Data, the Internet of Things and the Industry 4.0.

**Tatiana Rizzante (Chief Executive Officer of Reply S.p.A.)**

Degree in computer engineering from the Turin Polytechnic, is part of the founding group of Reply. From the start, Tatiana Rizzante handles the creation and skills development in areas with high rate of innovation, such as value added services to telecommunications operators, new media and the new digital channels. Over the years, she covers ever-increasing responsibilities within the group, assuming direct responsibility for various lines of business. Since 2006, after several experiences in the field of Innovation Management, she takes on the role of Managing Director, with the direct responsibility of the Group's overall offer definition and development of Reply in Europe, USA, Brasil and China. Prior to joining Reply, she worked for CSELT (now Tlab) where she experimented and researched Internet technologies and services for public. Since February 2020, she is Independent Director of the Board at GEDI Gruppo Editoriale S.p.A..

**Claudio Bombonato (Executive Director of Reply S.p.A.)**

Mr. Claudio Bombonato graduated in Aeronautics Engineering from the Polytechnics of Turin. He holds a Doctorate in Philosophy in Aerospace Engineering from the Turin University, and also a Master's degree in Business Administration from Università Commerciale Luigi Bocconi. After a 10-year professional experience in Fiat Aviation Division and IBM Italy, he started working at McKinsey (in 1981) where he was mainly involved in the banking sector and ICT. In 1986 he became Partner and leader in financial institutional practices and ICT in Italy. In 1990, he was appointed Director of the company by McKinsey and was a member of the European

Leadership Group on Financial Institutions. Mr. Claudio Bombonato was the European Supervisor overseeing Commercial Banking practices for a number of years. In 2006 he left McKinsey and was appointed European Senior Advisor for Morgan Stanley (Financial Institution sector in Italy). He has published many articles on strategic thematic, organization and technology both for the financial and public sectors. He was Member of the Board at SI Holding and Banca Fonspa S.p.A. until November 2013. He was a Member of the Board at Whysol S.p.A. a financial holding company active in the energy sector until December 2016. From March 2014 to April 2018 he was Chairman of Anima Holding S.p.A., a company which is listed on the Italian stock exchange.

**Daniele Angelucci (Executive Director of Reply S.p.A.)**

Mr. Daniele Angelucci graduated in Information Sciences from the University of Turin. He worked from 1976 to 1986 at the Centre of Study & Laboratories of Telecommunications (CSELT, now Telecom Italy Lab) as a researcher; From 1986 to 1995 he worked in Mesarteam S.p.A. fulfilling various roles including Technical Director of the Rome office, Head of Technical Software and then Technical Director of Turin. He joined Reply as a Senior Partner in 1996. In 1996 he became President and founding member of Cluster Reply, a group company focused on e-business solutions using Microsoft technology. From 2000 to 2002 he was Director of operations in the Turin area. In 2003 he became CEO of Santer S.p.A., a company specialized in the health market and local government. From 2006 to 2010 he was Chief Financial Officer of Reply Deutschland AG. Since 2011 he has been Chief Financial Officer of Reply S.p.A.

**Elena Maria Previtera (Executive Director of Reply S.p.A.)**

Mrs. Elena Maria Previtera graduated in Information Sciences from the University of Turin. In the early 90's, she joined Mesarteam, a start-up active in the field of System Integration, with the task of developing supply chain management projects in Unix and on emerging technologies such as Java. In 1996 she began to deal with innovative technologies with the task of starting a team that develops on the Java and Web world, and that realizes the first Sun Certified Java project that is referred to as the best Java project of the year. Subsequently, she deals with Business Process Management in the banking field realizing in particular a framework, adopted in different companies, for the automation of business processes based on Service Oriented Architecture. At the end of 2000, she joined Reply with the task of developing the activities of the start-up Blue Reply, the company of the Group specializing in IBM WebSphere platform, and more generally to promote the SOA (Software Oriented Architecture) offer. In January 2007 she became Executive Partner, with the responsibility of the development, coordination and support of all the technology companies of the Group. Since 2009 she is responsible for developing the offer of the Group companies operating in the Telco, Media and Utility sectors at a European level, and the development of the supply lines related to the CRM and Customer Experience fields. In 2020 she becomes Senior Partner.



**Filippo Rizzante (Executive Director of Reply S.p.A.)**

A computer engineering graduate from the Polytechnic University of Turin, he began his career with Reply in 1999. In the early years, he worked within the Group mainly in consultancy and projects for the web division, focusing in particular on the development of B2B and B2C portals. In 2006 he became Executive Partner of the Reply Group, overseeing the Group companies that deal with Oracle technologies, Safety, Information Lifecycle Management, Web 2.0 and Open Source. Over the years his responsibilities within the Group grew and he assumed direct responsibility for various business lines, including Architecture and Technologies, Digital and Mobile Media. Since 2012, in the capacity of Reply CTO, he has led the development of new offer elements associated with technological innovation and assumed Group responsibility for all partnerships. In 2020 he becomes Senior Partner.

**Fausto Forti (Independent Director and Lead Independent Director of Reply S.p.A.)**

Mr. Forti has a graduate degree in mathematics. From 1974 to 1983 he held several positions in Iveco S.p.A. (Fiat Group) among which: IS and in charge of Spare parts for the Brazilian affiliate; from 1983 to 1994 in Fiat S.p.A. he held the position of Director of Logistics. From 1994 to 2004 joins the TNT Group – Logistics division – where he covers the role of Chief Executive Officer of the Italian Business Unit and South America. In 2005 he joins DHL Express Mediterranean (Italy, Greece, Cyprus, Malta and Israel), Deutsche Post Group World Net, and is appointed Chairman and Chief Executive Officer, position that he held until March 2013. From April 2013 to April 2015 he was the Chairman of DHL Express Italy S.r.l. From 2000 to 2006 he was Chairman of Assologistica (Associazione Italiana delle Aziende di Logistica). Since April 2010 he is Chairman of Confetra (Confederazione italiana delle Associazioni di Trasporto e Logistica). In June 2018 he becomes Advisor in Flenco Fluid System S.r.l..

**Secondina Giulia Ravera (Independent Director of Reply S.p.A.)**

Born in Cuneo on 12 May 1966, she graduated in Electronic Engineering from Polytechnic University of Turin and obtained a Master in Business Administration (MBA) at INSEAD in Fontainebleau.

She developed her professional career in McKinsey & Co for 10 years working in Italy, UK, France, Germany and USA., collaborating with Top Management in organizational and strategic initiatives in different businesses, including Transport, Utilities, Technology and Manufacturing. Between 2000 and 2001 she was Chief Executive Officer of Gandalf Airlines.

From 2001 she leads the creation of 3Italia where she covers the role of Chief Operating Officer until 2016 and CEO of Industrial Electronics (subsidiary of H3G Spa).

In 2015 she leads and completed the merger between 3Italia and Wind Telecommunications in the role of Merger Integration Officer. She was Advisor and President of ASSTEL (Italian Telecommunications Association) for 2 mandates and advisor of the Digital Confindustria.

She has received several awards including the ALDAI “Merit and Talent” as Business Woman of the year, “The Magnificent 100 of Capital”, the Prize R.O.S.A. (Results Obtained Without Aid) Canova and the Women’s Rotary

Award. In 2018 she accompanied in the path of entrepreneurial growth, as coach, the startup “WashOut”, assessed as the best startup among the twelve in competition of the first edition of B Heroes (out of 500 participants). She is associated with the Foundation Marisa Bellisario and InTheBoardRoom (Project of Value D).

In Addition to the role in Reply as Independent Director, she currently holds the following positions:

- Independent Director of A2A, representing Assogestioni,
- Independent Adviser to Inwit, representing Assogestioni,
- Independent Advisor to OTB,
- Operational President Destination Italy,
- Chairman of the Committee Pio Albergo Trivulzio, a no-profit public organization.

#### **Francesco Umile Chiappetta (Independent Director of Reply S.p.A.)**

Graduated in Law from the University of Rome La Sapienza, with the highest honors and praise. He continued his career in academia, as a lecturer and a contract professor of corporate law and corporate governance. He teaches since 1994 in several important Italian universities, including Bocconi, LUISS and Cattolica.

He is the author of numerous legal essays and has participated in the drafting of the comments of TUB, TUF and Company Law Reform of 2003.

His professional career began in 1983, working for Consob, where he was appointed Head of the Law Office. He was later part of the Finance Subcommittee of the Euro Committee set up by the Treasury Minister. He has participated in the drafting of the Self-Regulatory Code of Borsa Italiana and has been advisor to the EU Commission on company law and Corporate Governance (2005 – 2010). From 1994 to 2001 he was Deputy Director of Assonime, while from 2001 to 2008 he was General Counsel of Telecom Italia and from 2009 to 2017 he held the roles of General Counsel and Senior Advisor for Pirelli & C. S.p.A.

He is currently Vice Chairman of the Board of Directors of Armònia SGR S. P. A, and Independent director of Autogrill S.p.A.

With the approval of the financial statements at 31 December 2020, the mandate of the Board of Directors appointed on 23 April 2018 will expire and the members will be called upon to renew the administrative body. In view of the renewal, in compliance with the recommendations of the new Code, during the Board of Directors of 15 March 2021, qualitative and quantitative criteria were defined for the assessment of the significance of certain circumstances that may compromise the independence of an Administrator as provided for in the new Code. These criteria will apply for the next three years.

The Board of Directors has verified, at the date of approval of the Report herein, the offices of Directors and Statutory Auditors, held by the Directors in other listed companies, finance, bank, and insurance companies or big enterprises.

The following arose:

- Mrs. Tatiana Rizzante is Independent Director of the Board at Gedi Società Editoriale S.p.A.;
- Mr. Francesco Umile Chiappetta is Vice Chairman of Armònia SGR S.p.A, and Independent Director of Autogrill S.p.A., a company listed with shares admitted to exchange trading on the MTA Market;
- Mrs. Secondina Giulia Ravera is Independent Director of: A2A S.p.A. and Inwit S.p.A. listed with shares admitted to exchange trading on the MTA Market, and Otb S.p.A. and Executive President of Destination Italia S.p.A., an innovative start-up in tourism sector, and Chairman of the Committee Pio Albergo Trivulzio, a non-profit public organization.
- Mr. Fausto Forti is Advisor in Flenco Fluid System S.r.l..

Although recommended by the Code, the Board of Directors has preferred not to express an opinion in relation to the maximum number of offices compatible with the execution of the Directors' role and this, beyond the limit of five appointments at Italian companies with shares listed on Italian regulated markets (excluding subsidiaries of the parent Company or the latter) indicated in art. 16 of the Statute the Board believes that such assessment firstly should be made by the shareholders when appointing the Directors and secondly by the individual Director when accepting the office.

In accordance to the Group's practices that have been adopted in relation to induction programs, several initiatives are foreseen aimed at providing Directors and Top Management an adequate knowledge of the area in which the company operates, of the dynamics of the company and its evolution and of the regulatory framework. More specifically, it is provided that a full set of documents containing the principle regulations and laws of Corporate Governance regarding the Board of Directors, the various internal Committees within the Board and the main related corporate documents be made available.

## **ROLE OF THE BOARD OF DIRECTORS**

The Board of Directors is the statutory managing body vested with the broadest powers for the ordinary and extraordinary management of the Company.

The Board of Directors primarily carry out a management and control function with relation to the general activities of the company and the subsidiary companies.

More specifically, during the years and in 2020, the Board of Directors, in compliance with the Corporate Governance, with the manners and frequency required and/or appropriate where the conditions allow:

- a) Examine and approve the company's strategic, operational and financial plans and the corporate structure of the group it heads periodically monitoring its implementation; defines the corporate governance system and the structure of the group;
- b) Defines the nature and level of risk compatible with the issuer's strategic objectives;
- c) Evaluates the adequacy of the organizational, administrative and accounting structure of the issuer and its

subsidiaries having strategic relevance, as established by the managing Directors, in particular with regard to the Internal Control System and risk management;

- d)** It shall specify the limits on these delegated powers, the manner of exercising them and the frequency, as a rule no less than once every three months, with which the bodies in question must report to the board on the activities performed in the exercise of the powers delegated to them;
- e)** Evaluates the general performance of the company, paying particular attention to the information received from the Executive committee (when established) and the managing Directors, and comparing the results achieved with those planned;
- f)** Decides on operations carried out by the issuer and its subsidiaries when said operations have significant strategic, economic or financial relevance to such issuer; to this end, the board shall establish general criteria for identifying the transactions which might have a significant impact;
- g)** At least once a year, it performs an evaluation of the work of the Board itself as well as of its committees including their size and composition, also taking into account elements such as the professional characteristics, (managerial) experience and general qualities of its members, including their length of time in office;
- h)** Taking account the outcome of the evaluation under point g), before a new Board is appointed, if is considering appropriate for the definition of the optimum composition of the Board of Directors, it advises shareholders with regard to the types of professionals it deems advisable to have represented on the Board;
- i)** Provides information in the report on corporate governance: (1) on its composition of the board, indicating for each member the qualification (Executive, Non-Executive, or independent) the role within the Board, his or her main professional features and seniority as a member of the Board; (2) the methods of application of Art. 1 of the Code and, on the number of meetings of the board and of the Executive committee, if any, held during the fiscal year plus the related percentage of attendance of each Director; (3) on the modalities of the evaluation process referred to under point g);
- j)** In order to ensure the proper management of corporate information, adopted, on the proposal of the Chief Executive Officer or Chairman of the Board of Directors, a procedure for the internal management and external communication of documents and information concerning the issuer, with particular reference to privileged information.

The Board of Directors meets on a regular basis, at least every three months, as established by the Company by-laws, or when deemed necessary.

The Chairman, under the company's by-laws, has the power to convene the Board of Directors' meetings.

The Directors report to the Statutory Auditors on a quarterly basis with regards to the activities carried out during the year, the significant operations carried out by the company or its subsidiaries and with regards to operations that could be of potential conflict of interest and provide adequate information on atypical, unusual or with related party transactions, that are not subject to the Board of Directors approval.

During 2020 the Board of Directors met four (4) times and the average duration was approximately one hour and half (1.5).

The Board of Directors is scheduled to meet at least four (4) times in 2021. The Board of Directors has held no meetings before the date of this Report.

In line with the previous year, the Chairman, in accordance to the Code, provided documents containing information relevant to the discussion to directors and statutory auditors a few days preceding the meeting as to ensure the directors and statutory auditors timely and complete access to information in advance of the Board meeting. In particular, in order to ensure that the members of the Board are provided with all the information and documents necessary for the recruitment of the deliberations, the Chairman of the Board of Directors has provided instructions to the Corporate affairs function In order to transmit the submission of the convocation of the board meetings, or immediately thereafter, unless the material is available in advance for matters of particular strategic relevance to the company or to the group of which it is headed or for urgent and unforeseeable reasons, a summary of the issues on the agenda.

The Chairman of the Board of Directors ensured that each meeting was carried out appropriately, ensuring that each item on the minutes was treated accordingly, and that adequate time was spent to establish an advantageous comparison among the members of the board.

The participating members of the Board are also allowed to intervene through audiovisual connection. Considering the pandemic situation due to Covid-19, with the start of the health emergency, the board meetings were held through the use of videoconferencing platforms.

In accordance with regulatory obligations and in order to facilitate the participation of a greater number of Managers and Statutory Auditors, a calendar of the annual meetings scheduled is drafted.

The Director in charge of drawing up the financial statements, systematically takes part in the Board of Directors meetings; the main business functions are represented directly by members of the Board of directors who hold such functions in the Organization of the Company.

The Board of Directors, upon the approval of the annual and half-year financial report and considering the duties carried out by the Control and Risk Committee (which in turn is based on controls carried out by the Internal Audit), examine and evaluate periodically the adequacy of the organizational, administrative, and accounting structure and the general performance of the system of the internal control and risk management. This point is fully detailed in “Internal Control and risks Committee”.

In accordance with the Corporate Governance Code (art. 1.C.1, letter f), the company has granted the Board of Directors the examination and approval of the operations deemed “significant” and some specific operations with related parties, fully detailed in this Report in the section dedicated to the topic.

Coherent to the Code, the Board of Directors, on an annual basis, evaluate the activities performed by the Board and its Committees with particular emphasis on size, composition and functioning. The evaluation takes

into account the relative mix of executive, non-executive and independent directors, as well as their specific technical abilities and professional background and experience and the length of time on the board. During the meeting of 13 March 2020, the Board of Directors considered the current structure of the Board and committees to meet the requisites of the current Code, with particular reference to their size, composition and operation.

The Board of Directors, pursuant to the Group's consolidated practices, has considered not to express its position with regards to the nominations, as this valuation, also in light of the participation in the social structure of the company of several members of the Board of Directors, is already carried out by the shareholders upon presentation of the mentioned lists.

In that it considered, also in the light of the participation in the social structure of the company of several members of the Board of Directors, that this evaluation is entrusted to the shareholders in the presentation of the aforementioned lists.

The shareholders have not relieved the Board of Directors from the obligations pursuant to art 2390 paragraph 1 of the Civil Code.

### **CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICERS AND EXECUTIVE DIRECTORS**

The Board of Directors currently holding office comprises of two Chief Executive Officer, (who also fulfils the role of Chairman of the Board of Directors) four Executive Directors and has empowered the Chairman (who also fulfils the role of Chief Executive Officer) with the broadest operational delegations, in light of the resolutions passed on 23 April 2018.

Mr. Mario Rizzante, Chairman of the Board of Directors, and Tatiana Rizzante, Chief Executive Officer, are empowered with the ordinary and extraordinary administration of the company with the only exception, as well as the attributions not delegable under the law and Statute: (i) of potentially "price sensitive" operations, determined on the basis of the primary and secondary legislation in force from time to time and (ii) any further operations reserved to the exclusive jurisdiction of the Board of Directors, as set out by the *Regulation with related parties*.

The Chairman, is responsible for the management of the Company and is also major shareholder, as illustrated here within. There are no *interlocking directorate* conditions foreseen in the Civil Code.

The main proxies empowered to the Executive Director, Mr. Daniele Angelucci:

- negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 10,000,000.00 Euros for each operation from an asset side with parties belonging to the Group and 1,000,000.00 Euros for operations from a liability side with parties not belonging to the Group;

- sign rent and lease contracts for a maximum value of 1,000,000.00 Euros for no longer than a nine-year period and establishing the relative terms and conditions, and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions. To accept, negotiate and impose in any of the said contracts, deals, conditions, clauses, prices, fees, commissions, executing the related payments and obtaining receipt of payment; resolve, cancel or draw back from any of the said contracts;
  - › grant guarantees, sureties in the limit of 5,000,000 Euros;
  - › to sign insurance policies covering risks pertaining to its premises, as well as the products owned by or dealt in by the company, as well as automotive insurance policies and other insurance contracts all subject to a maximum limit of 500,000.00 Euros;
- request, accept and use bank credit in the short, medium and long term to a maximum of 10,000,000 Euros;
- sign factoring contracts, negotiating conditions, carry out any operation connected including the sale of receivables, the provision of guarantees, warrants for collection, discount operations and advance payments with commitment of shares all in the limit of 10,000,000 Euros;
- to represent the Company before any judicial authority, before any administration authority of the Italian Republic and foreign countries, even with reference to litigations even of fiscal nature of whatever degree, with reference to appeals, cassation, protests, undersign conservative and executive acts, and retract from them as necessary, intervene in bankruptcy procedures, take part in creditor meetings, insinuate receivables from the principal company, declare the truth, discuss, accept, sign and refuse agreements, grant to the bankrupt the benefits foreseen by law, allow penalties to payments, assist in inventories, appoint lawyers, carry out transactions, appoint arbiters and sign compromises;
- to employ, appoint and dismiss employees with annual gross salaries (including any supplemental compensation) of up to 300,000.00 Euros; to grant salary supplements to employees as a result of which the beneficiaries do not exceed a gross annual salary (including any supplemental compensation) of 300,000.00 Euros;
- within the maximum spending limit of 500,000 Euros, retract from contracts with middle and senior managers, compromise the related controversies, representing the Company before the labor unions;
- participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 10,000,000.00 Euros; and can:
  - › draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
  - › confer or receive the related mandate in the event of a temporary group enterprise participation;
  - › negotiate and undersign contracts following the awarding of the bid;
  - › subcontract to third parties within the law, the contracts awarded as well as signing subcontracts with companies, who have been awarded contracts;
  - › represent the Company in relation to all such matters, issuing the relevant powers of attorney.

The main proxies empowered to the Executive Director, Mr. Filippo Rizzante:

- negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 10,000,000 Euros for each operation from an asset side and for operations from a liability side with Reply Group subjects and a value not greater than 500,000 Euros for each operation and from a liability side with parties outside the Reply Group;
- participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 10,000,000 Euros; and has the power to:
  - › draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
  - › confer or receive the related mandate in the event of a temporary group enterprise participation;
  - › negotiate and undersign contracts following the awarding of the bid;
  - › subcontract to third parties within the law, the contracts awarded as well as signing subcontracts with companies, who have been awarded contracts;
  - › undersign rent and lease contracts for no longer than a nine-year period to a maximum of 500,000 Euros and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions;
- sign insurance policies covering risks pertaining to the premises where the company carries out its business, as well as the products owned by or dealt in by the company, as well as automotive insurance policies and other insurance contracts deemed to be necessary and expedient; all subject to a maximum limit of 100,000 Euros.
- hire employees with annual salaries of up to 120,000 Euros, modify or retract from work contracts up to a maximum fee of 300,000 Euros and settle the related disputes, representing the Company in front of trades unions.

The main proxies empowered to the Executive Director, Mrs. Elena Maria Previtera:

- negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 10,000,000 Euros for each operation from an asset side and for operations from a liability side with Reply Group subjects and a value not greater than 500,000 Euros for each operation and from a liability side with parties outside the Reply Group;
- participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 10,000,000 Euros; and has the power to:
  - › draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
  - › confer or receive the related mandate in the event of a temporary group enterprise participation;
  - › negotiate and undersign contracts following the awarding of the bid;



- › subcontract to third parties within the law, the contracts awarded as well as signing subcontracts with companies, who have been awarded contracts;
- › undersign rent and lease contracts for no longer than a nine-year period to a maximum of 500,000 Euros and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions;
- sign insurance policies covering risks pertaining to the premises where the company carries out its business, as well as the products owned by or dealt in by the company, as well as automotive insurance policies and other insurance contracts deemed to be necessary and expedient; all subject to a maximum limit of 100,000 Euros.
- hire employees with annual salaries of up to 120,000 Euros, modify or retract from work contracts up to a maximum fee of 300,000 Euros and settle the related disputes, representing the Company in front of trades unions.

The main proxies empowered to the Executive Director, Mr. Claudio Bombonato:

- negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 10,000,000 Euros for each operation from an asset side and for operations from a liability side with Reply Group subjects and a value not greater than 500,000 Euros for each operation and from a liability side with parties outside the Reply Group;
- participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 10,000,000 Euros; and has the power to:
  - › draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
  - › confer or receive the related mandate in the event of a temporary group enterprise participation;
  - › negotiate and undersign contracts following the awarding of the bid;
  - › subcontract to third parties within the law, the contracts awarded as well as signing subcontracts with companies, who have been awarded contracts;
- undersign rent and lease contracts for no longer than a nine-year period to a maximum of 500,000 Euros and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions;
- sign insurance policies covering risks pertaining to the premises where the company carries out its business, as well as the products owned by or dealt in by the company, as well as automotive insurance policies and other insurance contracts deemed to be necessary and expedient; all subject to a maximum limit of 100,000 Euros.
- hire employees with annual salaries of up to 120,000 Euros, modify or retract from work contracts up to a maximum fee of 300,000 Euros and settle the related disputes, representing the Company in front of trades unions.

In order to have a better management of the Group activities, the Board of Directors of Reply S.p.A. and the Chairman have the possibility to attribute specific delegation powers to several key managers of the Group Companies that can act in name and on behalf and in interest of the Company also in relation to the role of Employer according to Legislative decree. No. 81/2001 and to the fulfilments and obligations foreseen by the primary and secondary legislation regarding the protection of personal data.

### **INDEPENDENT DIRECTORS**

As previously stated, the three Directors members of the Board of Directors qualifying as being independent are:

- Mr. Fausto Forti (Lead Independent Director)
- Ms. Secondina Giulia Ravera
- Mr. Francesco Umile Chiappetta

The independent Directors constitute as a whole the Remuneration Committee and the Internal Control and Risks Committee.

The same Independent Directors also qualify as, in the capacity of members of the Internal Control and Risks Committee, members of the Related party transaction committee established by the related procedure.

The Independent Non-Executive Directors have the same characteristics as the Independent Directors, in compliance with paragraph 3.C.1. of the 2018, integrated by Recommendation 7 relating to Art. 2 on the composition of corporate bodies, (2020 edition of the Corporate Governance Code) that provides that a Director usually does not appear independent in the following events, to be considered merely as an example and not limited to:

- a)** If he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or through a third party, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons may exercise a control or considerable influence over the issuer;
- b)** If he/she is or has been in the previous three accounting periods a key person of the issuer, of one of its subsidiaries having a significant strategic relevance or of a joint venture of the issuer, or a company that together with others or under special agreements control the issuer or is able to exercise a notable influence;
- c)** If he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he/she is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:
  - › with the issuer, one of its subsidiaries, or any of its significant representatives;
  - › with a subject who, jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives;
  - › or is, or has been in the preceding three fiscal years, an employee of the abovementioned subjects;

- d)** If he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer and compensation for participation in committees recommended by the Code, a significant additional remuneration compared to the “fixed” remuneration of Non-Executive Director of the issuer, including the participation in incentive plans linked to the company’s performance, including stock option plans;
- e)** If he/she was a Director of the issuer for more than nine years in the last twelve years;
- f)** If he/she is vested with the Executive Director office in another company in which an Executive Director of the issuer holds the office of Director;
- g)** If he/she is shareholder or shareholder or Director of a legal entity belonging to the same network as the company appointed for the external audit of the issuer;
- h)** If he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

The Board of Directors, in its entirety, verified, in the meeting held 23 April 2018, after the renewal of its office, and in the meetings held approving the draft 2018 and 2019 financial statements, and on the date herein, with positive results, the independence of the abovementioned Directors, by drawing on information provided by each of the Directors in accordance with the definition provided by the Corporate Governance Code, resolving not to apply the criteria stated in point e) in view of the Directors’ authority, reputation and moral statute. This was verified with regards to Mr. Fausto Forti from April 2013.

The Independent directors shall communicate in due time to the Board of directors any situation which may compromise independency and assume the necessary and/or consequent decisions.

The Board of Statutory Auditors verifies the proper application of the assessment criteria and procedures adopted by the board in order to annually assess the independence of its members, communicating the outcome of such controls in its report to the shareholders.

During the periodic meetings held throughout the year, the Board of Statutory Auditors has not disclosed any situations which could compromise independency in accordance to the regulations in force.

In 2020, only the Independent directors met.

## LEAD INDEPENDENT DIRECTOR

The Code requires that, in case the Chairman of the Board of Directors is the key person in charge of the running of the company, and even when office is held by the person that controls the Company, the Board must designate a “Lead Independent Director”, that represents a reference and coordination point of the motions of the Non-Executive Directors and more specifically the independent ones; and coordinate only the meetings of independent directors; for this scope, should these circumstances occur, in accordance with article 2.C.5 of the Code, the role of Lead Independent Director is head by the Non-Executive and Independent Director, Mr. Fausto Forti.

As mentioned above, during 2020 the Independent directors met only once.

## PROCESSING OF CONFIDENTIAL INFORMATION

Reply S.p.A., who has already adopted since 2003 an Internal Conduct Code on Internal Dealing, following the resolutions of the Board of Directors of 2 August 2018 and 14 March 2019, a procedure which in the updated version is identified as “Procedure for the management and communication to the market of insider information, for the compilation of the Registry of persons having access to privileged information and in the field of “Internal Dealing” that:

- disciplines the management and treatment of corporate information, the procedures to be observed for communication, both inside and outside the company, of documents and information concerning Reply S.p.A. and the subsidiaries, with particular reference to the so-called “Insider Information”;
- details the establishment and detailed rules for fulfilling and updating the Registry of persons who are aware of Insider Information;
- disciplines the obligations and manners of communication to Reply S.p.A., to Consob and to the market of transactions relating to the shares issued by Reply, or other financial instruments linked to them, carried out by persons performing administrative functions, of direction and control and by other so-called relevant stakeholders.

Executive Director, Mr. Daniel Angelucci, has been identified as the person responsible in the context of the above Procedure.

The complete version of the Procedure with reference to the management and communication to the market of privileged information, for the compilation of the Registry of persons having access to the privileged information and with reference to “Internal Dealing”, is available on the Company’s website ([www.reply.com](http://www.reply.com) – Investors – Corporate Governance).

## COMMITTEES WITHIN THE BOARD OF DIRECTORS

The Board of Directors has set up consulting committees, the Internal Control and Risks Committee and the Remuneration Committee.

The Board of Directors during the meeting held on 23 April 2018, decided not to set up an internal committee to propose candidates for appointment to the position of Director.

Considering the current ownership structure, proven to be concentrated and the governance structure of Reply S.p.A. and considering the circumstances that this function is already carried out by the shareholders upon presentation of the lists for renewal of the governing bodies.

In 2020 information concerning the meetings of the internal committee is given in the following Board of Directors meetings.

## REMUNERATION COMMITTEE

With reference to what has been stated reference shall be made to the Annual Report on Remuneration policy and compensation paid published in accordance with Article 123-ter of TUF.

The Board of Directors has internally constituted a Remuneration Committee composed of Mr. Francesco Umile Chiappetta and Mrs. Secondina Giulia Ravera, Non-Executive and Independent Directors and Mr. Fausto Forti, Lead Independent Director and Chairman, who has gained adequate knowledge and experience in financial matters and of remuneration policies in view of his professional experience characterized by taking operational responsibilities in companies of significant size.

In 2020 the Remuneration Committee, in order to carry out its duties, met two (2) times with the presence of all members.

In 2021 two (2) meetings have been planned and have already been held.

At present, the Committee has not utilized external consultants.

In accordance with the Corporate Governance Code, no Executive Director shall participate in meetings of the Remuneration Committee in which proposals are submitted to the Board of Directors relating to his/her remuneration; meetings will be attended by the members of controlling bodies.

## REMUNERATION OF DIRECTORS

With reference to what has been stated reference shall be made to the Annual Report on Remuneration policy and compensation paid published in accordance with Article 123-ter of TUF.

Remuneration of Directors not invested with operational proxies, for each year in office, was redetermined by

the Shareholders' meeting of 21 April 2020 and equal to 50,000.00 Euros for each one since 2020, gross of any withholding amounts foreseen by law.

Remuneration of Directors invested with special roles, was established by the Board of Directors in line with the Remuneration and Nomination Committee, upon proposal of the Remuneration Committee, authorized by the Board of Statutory Auditors.

In compliance with article 20 of the Company by-laws the total amount of remuneration to Directors, including those invested with strategic powers, can also be determined by the Annual General Shareholders' meeting.

The article 22 of the Company by-laws provides the possibility to attribute a variable fee to the Directors invested with special powers, as participation in the profits of the parent Company, and dependent of the economic trends of the Group and more specifically to the Consolidated Gross Margin, which is resolved by the Annual General Shareholders' meeting approving the annual Financial Statements, on a medium-long term basis and consistent with the guidelines contained in the remuneration policy for the period 2020-2022 approved by the Board of Directors on 13 March 2020.

## **CONTROL AND RISK COMMITTEE**

Under the Code, the Board of Directors has internally constituted a Control and Risk Committee composed by Mrs. Secondina Giulia Ravera and Mr. Francesco Umile Chiappetta, Non-Executive and Independent Directors and Mr. Fausto Forti, Non-Executive Director and Lead Independent Director and Chairman, where just a member has adequate knowledge and experience in accounting and financial matters in view of his professional experience gained within companies of significant size.

The Chairman of the Board of Statutory Auditors and a Director in charge of the institution and maintenance of the internal control system and risk management, the responsible of the Internal Audit participate in the work of the Control and Risk Committee and are also invited to participate the Statutory auditors; a written report shall be prepared at the end of each meeting, which will include the Committee's proposals.

The main activities of the Control and Risk committee are:

- to evaluate, together with the Director responsible of drawing up the accounting documents, after having consulted the auditor and the Board of Statutory auditors, the correct use of the accounting principles and, in case of Group, their homogeneity for the purposes of drafting the Consolidated Financial statements;

- to express opinions on specific aspects related to the identification of major business risks;
- to examine the periodic reports, for the purpose of assessing the internal control and risk management system, and those of particular relevance set out in the Internal Audit function;
- to monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
- to request that the Internal Audit function carry out verifications on specific operational areas, giving simultaneous communication to the Chairman of the Board of Directors;
- to report to the Board of Directors, at least every six months, on the occasion of the approval of the Budget and the Half Year Financial Report, on the activity carried out and on the adequacy of the internal control and risk management system;
- to provide the Board of Directors with a preventive opinion on the completion of the tasks entrusted to it by the Code in the field of internal control and risk management;
- to support with adequate investigative activity, the Board of Directors assessments and decisions on the management of risks arising from injurious facts brought to the attention of the Board.

In order to carry out its duties, the Committee can request information and data from the head of the Internal Audit function, the Board of Statutory Auditors and the independent auditors.

During 2020 the Internal Control and Risks committee met three (3) times and once (1) in 2021. All the members were present and examined the following:

- revision of the Impairment Test policy – Impairment (IAS 36);
- the separate Financial Statements and the consolidated Financial Statements of 2019 and 2020, and half-year report of 2020;
- the independent auditor’s report on Non-financial declaration pursuant to Legislative decree 254/16;
- update on activities in relation to Law no. 262/2005 (Law on Savings) and other related internal improvement projects;
- update on the introduction of the Risk Management system;
- internal audit’s mandate and work.

With reference to the examination of issues related to the 2020 Financial Statements, the Committee requested the participation, further to that of the Head of Internal Audit, but also the presence of Mr. Molari on behalf of the audit firm PwC S.p.A..

During 2020 the Committee reported two (2) times to the Board of Directors in relation to the activities carried out and with reference to the adequate functioning of the Internal Control and Risks System, while during 2021, at present the Committee has referred to the Board of Directors only once.

At present the Committee has not availed itself of external consultants.

## INTERNAL CONTROL AND RISK MANAGEMENT

The internal control and risk management system is a set of rules, procedures and organizational structures that contribute to safeguarding the company's assets, the efficiency and effectiveness of business transactions, the reliability of financial information, the identification and monitoring of the main risks, and the compliance with laws and regulations.

The Board of Directors is responsible for the system of internal control and risk management, that, after receiving the opinion of the Control and Risks Committee, establishes guidelines and a work plan, evaluating its adequacy.

In this regard, during the year, the Board of Directors and the Control and Risks Committee expressed a favorable judgment regarding the adequacy of the Internal Control System for monitoring the level of risk consistent with the objectives of the Group.

### FOREWORD

Reply has put in place a system of internal control and risk management for financial reporting based on the "COSO Framework", defined as a set of rules, procedures and tools designed to provide, through an adequate process of identification, the measurement, management and monitoring, of the major risks related to the disclosure of financial data and reasonable assurance of the achievement of corporate objectives. The objective of the internal control and risk management system is also to ensure that the financial reporting disclosed within the required timeframe provides a fair and correct representation of operations, in order to guarantee the reliability, accuracy, truthfulness and timeliness of the financial information.

In relation to the Company's objectives, whether business or compliance, as well as reporting, the Company has adopted the following key instruments:

### INSTRUMENTS AND MONITORING BUSINESS OBJECTIVES

- **Planning and management control** – Reply S.p.A. has implemented a structured and periodic system in order to forecast and monitor company activities, aimed at defining the Company's objectives/strategies and operational planning through monitoring them by means of a monthly *review* of performance.
- **Company operational procedure system** – Reply S.p.A. has implemented a group of procedures that regulate internal processes, in order to properly apply the Company directives and to limit the risks connected with the achievement of the Company's objectives, regulating both the activities carried out within individual departments, as well as relations with other entities.
- **Risk Management System** – Reply S.p.A. has implemented a Risk Management system, based on the control risk self-assessment model, a methodology recognized by sector standards.



The objective of such procedure is to develop a corporate culture in view of raising risk awareness, through a continuous and pervasive process, implemented by the Board of Directors and by top management, aimed at identifying any potential events that might involve the Company as well as pursuing a risk level that is consistent with achieving the Company's objectives.

The methodology used is articulated in the following phases:

- identification of objectives, strategies, critical success factors and the specific related risks that conflict with the achievement of the objectives;
- self-assessment process based on indicators associated with the different risk categories (named the Key Risk Indicators).

Such system thus enables the identification, measurement, management and control of the Company's level of exposure to the different risk factors, considering (i) the probability that the risk occurs, (ii) the impact of the risk on the Company's objectives, (iii) the overall scope of the risk, (iv) the Company's ability to reduce the impact of the risk on business operations, and (v) possible relationships among the different risk factors.

The procedure provides for monitoring the adequacy and effective functioning of the internal control and risk management system, as well as its review, to be completed annually, in order to consider the trend of business operations and the context of reference. Such process, coordinated by the Internal Audit department, provides for the use of questionnaires so that risk belonging to each profile can be assessed by Top Management as well as by the Executive Partners responsible of the Region.

#### **INSTRUMENTS MONITORING COMPLIANCE OBJECTIVES**

- **Law 262/2005 on financial and accounting reporting** – Consistently with what is provided by Law 262/2005 on the protection of savings, Reply S.p.A. implemented accounting and administrative processes relevant for purposes of the reliability of the financial-economic reporting disclosed to the market, that provide for:
  - › mapping of the main sub-processes within the administration and relevant accounting procedures;
  - › assessment of the adequacy of the existing controls and ongoing implementation of further controls in view of *compliance* and increased reliability of the processes considered;
  - › drafting of a series of procedures and consequently the drafting of an Administration Procedures Manual;
  - › creation of future control and monitoring instruments.
- **Legislative Decree 231/2001** – see the relevant paragraph.
- **Security, environment and quality** – please see DNF.
- **Other laws and regulations** - Monitoring the evolution of laws and regulations and that relative compliance is carried out internally.

## **INSTRUMENTS MONITORING REPORTING OBJECTIVES**

**Accounting disclosures** – the drafting of accounting disclosures and disclosures in the consolidated and separate Financial Statements is regulated by the procedures of an administrative-accounting system.

**Confidential Information:** see the relevant paragraph.

**Internal Communications** – Reply S.p.A. has implemented an internal communications system aimed at facilitating and promoting internal communications within the Company and the Group, including by means of a structured management and coordination Committee system.

## **CHARACTERISTICS OF THE CURRENT INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PERIOD**

The approach adopted by Reply in relation to the assessment, monitoring and continuous updating of the internal control and risk management system is based on a process that is consistent with the “CoSO *Framework*” model, which allows making assessments focusing on areas of higher risk and/or materiality, that is, where there are risks of significant errors in elements of the Financial Statements and related documents.

The key components of the process are:

1. identification and evaluation of the source and probability of significant errors in elements of financial reporting;
2. identification of the key controls aimed at covering the risks;
3. assessment of the adequacy of the above controls with respect to the above risks, enabling ex ante or ex post identification of potential misstatements in elements of financial-economic reporting;
4. verification of the operating effectiveness of controls.

Identification of the risk of misstatements which could have material effects on *financial reporting* is carried out through an administrative-accounting *risk assessment* process, under the supervision of the Director in charge of drawing up the Financial Statements along with the Group Finance Director that identify the organizational entities, processes and the related accounting items that are generated, in addition to specific activities which could potentially generate significant errors. According to the methodology adopted by Reply, risks and related controls are associated with the accounting and business processes upon which accounting information is based.

Significant risks, identified through the *risk assessment* process, require definition and evaluation of specific controls (“key controls”) that guarantee “coverage”, thereby mitigating the risk that financial reporting will contain any material misstatements.

According to international *best practice*, there are two principal types of existing controls:

- controls that operate at Group or subsidiary level, such as: the delegation of authorities and responsibilities, separation of duties and assignment of privileges and rights for access to IT systems;

- controls that operate at process level, such as authorizations, reconciliations, verifications of consistency, etc. This category includes controls referring to operational processes and controls of accounting closure processes.

Such controls can be “*preventive*” aimed at preventing errors or fraud which could result in misstatements in financial reporting, or “*detective*”, aimed at revealing errors or fraud which has already occurred. They may also be defined as manual or automatic, such as application-based controls relating to the technical characteristics and configuration of IT systems supporting business activities.

The process of identifying the above risks and key controls has led to the elaboration of control matrixes (RCM – “*Risk Control Matrix*”) that identify, for each significant process, the potential impact on financial reporting:

- › risks subsequent to not having fulfilled the “Financial Statement assertion” control objectives, (existence, occurrence, completeness, rights and obligations, evaluation and accounting, presentation and disclosures) and other control objectives (such as authorization, segregation of tasks, data security, documentation and traceability of operations, etc.);
- › the related “*best practice*” (i.e. *CoSO Framework*);
- › the standard control activities (key controls) over these processes/procedures, and their principal characteristics (preventive/detective manual/automatic) and the related process owners;
- › the assessment of the aforesaid controls in relation to the adequacy of mitigating the risks identified;
- › suggestions to improve shortages identified in the assessment of control activities.

The control activities related to significant processes of financial reporting are fully detailed in the “Reply Group’s Manual of administration and accounting procedures”, recently updated/integrated pursuant to Law No. 262/2005, commented on below.

As Reply S.p.A.’s shares are listed and negotiated on the Italian stock market, it is mandatory for the Board of Directors to nominate a Director in charge of drawing up the Financial Statements (Nominated Director); The Director in charge of drawing up the Financial Statements is responsible for setting up adequate administrative and accounting procedures to prepare the financial information disclosed to the market, and to monitor the proper application of such procedures. The Administration and accounting procedures manual defines the guidelines that must be applied within Reply and more specifically with reference to obligations under art. 154-bis of legislative decree 58/1998 governing company’s Financial Statements and related attestation obligations.

More specifically the Administrative Procedures Manual:

- defines the roles and responsibilities of the Organizational Units involved in the general activities of drafting, communication and control of the financial reporting disclosed to the market;
- defines the operational means of managing the necessary activities to comply with the aforementioned legal obligations;
- introduces, in order to support the drafting of the legal attestations/statements required by law of

the Director in charge and the Chief Executive Officer, the obligation, headed by the Compliance department, to internally attest, through the internal communication processes, the correct functioning of the Accounting Control System pursuant to Law 262/2005 related to the accounting processes/flows regulated by such law and which fall within their administrative responsibility, the completeness and reliability of the information flows, as well as the adequacy and effective application of the key controls summarized in the control matrixes.

The company processes, the administrative-accounting procedures and the related control matrixes, along with the list of persons in charge of the operational units enacting the control, are subject to periodic assessments and if the case are updated.

The administrative-accounting procedures and the related control matrixes are shared with the relative process-owners, who attest that the controls have been planned and are operational, Administrative Management, with the support of the Internal Audit department, agree upon the implementation of any corrective measures.

The Internal Audit department carries out periodic assessments of the adequacy and effective application of the key controls every six months at the time of the preparation of the Financial Statements and interim report through audit procedures performed on specific areas determined by the Director in charge of drawing up the Financial Statements.

In relation to the Group foreign subsidiaries, an organized system of issuing attestation letters is adopted by the Directors and by the Directors of the foreign companies addressed to the Director responsible of drawing up the accounting documents, to whom they confirm the adequacy and effective application of administrative procedures, which are declined on their organization and in any case covered by the broader definition of the internal control system.

The persons in charge of the relevant administrative and accounting processes pursuant to Law 265/2005 issue an attestation letter addressed to the Director in charge of drawing up the Financial Statements, confirming the effective application of the administrative-accounting procedures for which they are responsible.

The audit plan is aimed at identifying a number of processes to be tested in order to cover the major processes during the year. The audit is performed on several Group companies, selected according to quantitative parameters, (material thresholds with respect to the consolidated Financial Statements) and qualitative ones.

In order to carry out the monitoring controls check lists are prepared according to the different processes being controlled which summarize the ways of testing the key controls included in the Procedures Manual and in the RCM, the sample to be tested and the outcome of the test.

Sample testing is the criteria used and the data and assessments included in the check lists are supported by the documentation gathered during the monitoring activities, that are an integral part of the same check lists.

The outcome of the tests performed and any suggestions made concerning the opportunity of implementing further controls where shortages were identified, are summarized by the Internal Audit Officer in a special report, object of an internal communications flow, and addressed to the Director in charge of drawing up the Financial Statements and to the Board of Directors.

By sharing this document, two flows are activated:

- the attestation process addressed externally based on the declarations made by the Director in charge in compliance with art. 154-bis of legislative decree 58/1998, in occasion of the drafting of the annual Report or the half-year financial report, as described above.
- the internal process of sharing with the related *process owners* the outcome of the control assessments, any compensation controls, corrective measures or improvement plan proposals.

The Head of the Internal Audit department periodically refers to the Internal Control and Risk Management Committee, the Board of Statutory Auditors and to the Supervisory Body with reference to the activities carried out within the assessment process of the Internal Control System.

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

The Board of Directors, at its meeting of 24 April 2018, named Mr. Daniele Angelucci as the Director in charge of the Internal Control and Risk Management system, responsible for maintaining the internal control and risk management system in an efficient manner and in conformity with what is required by the Corporate Governance Code, and allows the Head of the Internal Audit department to carry out his role in accordance with the cited provisions of the Code.

### **HEAD OF THE INTERNAL AUDIT DEPARTMENT**

The Board of Directors, at its meeting of 24 April 2018, appointed Mr. Edoardo Dezani as the Head of the Internal Audit department, upon a proposal of the Director responsible for the Internal Control System, with the favorable opinion of the Internal Control and Risk Management Committee and having heard the Board of Statutory Auditors, who is responsible for controlling that the internal control and risk management system is operational and adequate.

The Head of the Internal Audit department works on the basis of an audit plan approved by the Board of Directors, which provides for periodic reports on the assessment of the internal control and risk management system's adequacy and the reliability of the reporting systems, including the accounting reporting systems, advising the members of the Board of Directors, Top Management, the Internal Control and Risk Management Committee and the Board of Statutory Auditors of his activities.

### **ORGANIZATIONAL MODEL PURSUANT TO EX LEGISLATIVE DECREE 231/01**

In November 2004 the Company's Board of Director's approved an "Ethics Code", which confirmed the ethical principles and transparency that guide the Company's internal and external activities, outlining all of the fundamental principles required to guarantee legality, loyalty, and correctness when conducting Reply's

business.

In 2007 a project was initiated to adopt an updated organizational, management and control Model pursuant to the provisions of Article 6 of Legislative Decree 231/2001 (the “Model”) in relation to the responsibilities of enterprises, in order to prevent the crimes provided by such Decree. The Model was approved by the Board of Directors at a meeting held 28 March 2008, and was subsequently updated periodically through resolutions on 1 August 2013 and on 31 July 2015 which was limited to the Ethic Code.

The Model adopted, starting from an accurate analysis of the company activities with the objective of identifying the potential activities at risk, is the set of general principles, rules of conduct, control instruments and organizational procedures, formation and informational activities and disciplinary system finalized at assuring, the prevention of offences.

The types of crime contemplated by Legislative Decree No. 231/2001 and that have been considered at risk for the Group are the following:

- (i) relations with the Public Administration,
- (ii) enterprise obligations,
- (iii) market abuse crimes,
- (iv) security, prevention, health and hygiene in the workplace,
- (v) offences related to laundering,
- (vi) IT crimes and illegal use of personal data,
- (vii) offences related to violation of copyright laws,
- (viii) employing citizens from foreign countries,
- (ix) tax crimes.

The Model was adopted in 2008 and updated periodically and the latest version in 2020 by Reply S.p.A. all the Italian Group companies.

The Organizational Model of Reply S.p.A is available on the company website ([www.reply.com](http://www.reply.com) – Investors – Corporate Governance).

The Model and the Code of Ethics have been distributed to all Group employees and collaborators through the company Intranet. The Code of Ethics is also supplied to newly hired employees of the Group.

The Board of Directors has appointed a Supervisory Body, which has the duty to verify the correct functioning of the Model and to update it accordingly. The Compliance Committee refers to the Board of Directors and to the Internal Control and Risk Management Committee. The Supervisory Body, which has its own internal Regulations, is comprised of an outsider (Eng. Franco Gianolio) as its President, the Lead Independent Director (Mr. Fausto Forti), and the Head of the Internal Audit department (Mr. Edoardo Dezani), who will remain in office until the approval of the Financial Statements as at 31 December 2020.

The Italian Group companies have entrusted the function of the Compliance Committee to their Directing body, which performs the functions of compliance through resources within the Supervisory Body of the Parent Company.

In 2020 the Supervisory Body met four (4) times and referred to the Board of Directors and to the Statutory Auditors in relation to their activities and the state of the art concerning the model.

### **INDEPENDENT AUDIT FIRM**

The Shareholders' General Meeting held on 19 April 2019, approved the appointment of PricewaterhouseCoopers S.p.A. as the Company's independent auditors for the nine-year period 2019-2027 which includes the audit of the separate Financial Statements, the annual consolidated Financial Statements and the half-year condensed consolidated Financial Statements.

### **DIRECTOR IN CHARGE OF DRAWING UP THE FINANCIAL STATEMENTS AND LEGAL DOCUMENTS**

The Board of Directors, at its meeting of 24 April 2018, in accordance with the provisions of Law 262/2005, confirmed as the Director responsible for drawing up the Company's Financial Statements, upon the proposal of the Chairman and Chief Executive Officer, and with the favorable opinion of the Board of Statutory Auditors, Mr. Giuseppe Veneziano, based on the experience matured in such department during the previous three years, as well as in the context of the Group's administrative and management control areas ever since it was listed; on 10 May 2018, the power of attorney was renewed for the same Director in order to enable him to carry out the powers attributed.

Pursuant to article 24 of the Company by-laws, the Director must set up adequate administration and accounting procedures for the drawing up of the statutory Financial Statements, the consolidated statements and any other financial communication.

The Director, together with the other Executive organs, must undersign an attestation, annexed to every Financial Statement and to any other financial communication in accordance with specific laws and regulations.

With reference to his tasks, the Director responsible for drawing up the Financial Statements and legal documents has the same responsibilities and liabilities as those foreseen by law for the Directors, with the exception of those executed under work relations with the company.

### **COORDINATION BETWEEN THOSE INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

At present, the company does not consider it necessary to set up formal procedures for coordination between the various parties involved in the Internal Control and Risk Management system, as they already work in a spirit of mutual cooperation.

## DIRECTORS' INTEREST AND TRANSACTIONS WITH RELATED PARTIES

In compliance with the Corporate Governance Code transactions carried out with related parties are performed in a transparent manner and meet criteria of substantial and procedural fairness. Directors who have an interest, even if only potential or indirect with related parties shall:

- promptly inform the board in detail of the existence of the interest and of the related circumstances;
- abandon the board meeting when the issue is discussed.

The Board of Directors can however, under certain circumstances, allow the Directors to participate and/or vote.

In accordance with Consob regulation no. 17221 of 12 March 2010, the Company has adopted, effective 1 January 2011, procedures for transaction with related parties (the "Procedures") to ensure full transparency and substantial and procedural fairness in transactions with related parties and is available on the Company website ([www.reply.com](http://www.reply.com) – Investors – Corporate Governance).

The procedure was updated with Board of Directors meeting held on 2 August 2018, in order to take into account, the change in Reply's control chain that took place in 2018, as well as to make some changes following the modifications of the regulatory framework.

Recalling the definition of Consob Regulation no. 17221 of 12 March 2010, the Procedures establish "significant transactions" those requiring the prior approval of the Board of Directors, with the exception of those subject to law and/or the General Shareholders, "minor transactions" (unless pertaining to the residual category of non-significant transactions) those that can be delegated to one or more members of the Board and "exempt transactions" those falling under the types disciplined by Consob regulations.

Under a procedural perspective, when a transaction with a related party is deemed probable, the Designated Director (that is the Director in charge of supervising the Internal Control System and Risk Management) timely provides the Committee (identified within the Internal Control and Risk Committee) written communication with a brief description of the transaction.

If the transaction falls under the significant transaction category, the Committee must express a motivated and binding opinion concerning the convenience and substantial correctness of the terms and conditions of the transaction. Should the Committee express an unfavorable opinion, the Board of Directors could choose to submit to the General Shareholders' meeting the decision concerning the transaction; in this case, the transaction cannot be approved unless the majority of the non-Related Shareholders express a favorable vote, provided that they represent at least 10% of the voting share capital.

If the transaction falls under the minor transaction category, the Committee submits to the Director its non-binding opinion concerning the convenience and substantial correctness of the terms and conditions of the transaction prior to the presentation of the contractual proposal, or, in case the decision is taken by the Board of Directors of the Company, at least three days prior to the board's meeting.

If the transaction falls under the General Shareholders' competencies or must be authorized by the latter,



in addition to what has been described above, depending on whether the transaction is significant or minor, the Committee must express a motivated opinion in relation to the Company's interest in carrying out the transaction along with the convenience and substantial correctness of the terms and conditions of the transaction when the Board of Directors is called to approve the motion to submit to the General Shareholders' meeting the decision.

In case there is an urgency, the operation, as long it is not competence of the Shareholders and does not need their authorization, may be concluded in derogation of the procedures as long as all mandatory information has been provided to the public and under the condition that:

- should the transaction fall under the Chief financial officer's powers, the Chairman of the Board of Directors must be informed the reasons of the urgency prior to the transaction being executed;
- the transactions are subsequently approved in a following Shareholders' meeting;
- the body convening the Shareholders' meeting must draw up a report with adequate motivations of the urgency and the Board of Statutory Auditors must refer to the Shareholders their opinion in relation to the reasonableness of the urgency;
- the report and valuation of the previous point must be made available to the public at least 21 days prior to the Annual Shareholders' meeting and in accordance with the means set out by Consob;
- within one day following the Annual Shareholders' meeting, the Company must make available to the public the information regarding the results of the voting.

The Designated Director, on at least a quarterly basis, submits to the Committee, to the Board of Directors and to the Board of Statutory Auditors, a detailed report concerning transactions previously approved by the Board of Directors and/or carried out by one of the Chief Executive Officers.

The Head of the Internal Control Function periodically carries out –on an annual basis – control activities over the fulfilment of obligations of the Procedures herein by the competent company departments and refers to the Committee and Board of Statutory Auditors.

It should be noted that on December 10, 2020, by resolution n. 21624, Consob amended the Related Parties Regulation by adopting the innovations introduced by Legislative Decree no. 49/2019. The Regulation will enter in force on July 1, 2021 to allow companies to adapt the internal procedures by June 30, 2021.

## APPOINTMENT OF STATUTORY AUDITORS

The appointment and substitution of Auditors is disciplined by Art. 23 (Board of Statutory Auditors) of the by-laws, and is available on the Company's website ([www.reply.com](http://www.reply.com) under –Investors – Corporate Governance).

Art. 23 of the Company by-laws, regulates that:

- the lists of the candidates for the office of Statutory Auditor must be deposited at the Company's offices at least twenty-five days prior to the date set for the Shareholders' meeting on first call; at least twenty-one days prior to the Shareholders' meeting, the list together with the information and declarations required, shall be made available to the public;
- only those shareholders that alone or together with others represent 2.5% of the ordinary voting shares have the right to present the lists or the minimum minority voting share required in accordance with binding laws or regulations, that in Reply S.p.A.'s case is equal to 1% in 2020; should at the expiry date stated above, only one list be presented, or only lists presented by shareholders that are inter-related in accordance with the regulations in force, lists can be presented up to five days following such date. In this case the above threshold is reduced by half;
- statutory Auditors and Alternate Auditors, will be divided by one, two, three for the Statutory Auditors and one, two for the Alternate Auditors, according to the progressive number of auditors to be appointed. The ratios will then be progressively assigned to the candidates on each list and ranked in descending order. The candidates with the highest ratio will be appointed, being that one Statutory Auditor and Alternate Auditor have been elected from the second list according to the number of votes obtained and must not be connected, neither indirectly, to the Shareholders which presented or voted the list which obtained the highest number of votes;
- the list which presents candidates equivalent to or superior to three shall be composed by candidates from both Statutory auditors and Alternative auditors, so as the number of candidates, in accordance to the regulations of the Report, belong also to the least represented genders (if in excess, it shall be rounded up with the exception of the corporate bodies consisting of three components for which the number will be rounded down);
- if candidates obtain the same percentage of votes, the candidate will be selected from the list which has not elected a Statutory Auditor, whereas if all the lists have elected the same number of candidates, the Statutory Auditor will be chosen from the list which obtained the most votes. If the result in percentage and vote is the same the Shareholders vote once more and the candidate with the highest percentage will be appointed;
- the office of President of the Board of Statutory Auditors is held by the Statutory Auditor which was elected from the minority list that obtained the highest number of votes;
- in the event of a Statutory Auditor being replaced, the Alternate Auditor belonging to the same list as the one to be replaced will succeed.

- If this is not possible, the outgoing Statutory Auditor is replaced by the non-elected candidate who has gradually obtained the largest quotient among those on the list that the outgoing Statutory Auditor has expressed; for the integration of the Board of Statutory Auditors, and considering the balance in genders, if the Statutory auditor is replaced in the majority list, the nomination is carried out without any binds to the list; if a Statutory Auditor is replaced from a minority list, the Board shall substitute with a majority vote and when counting such votes, the shareholders' with majority shares and shareholders' connected to the previous shall not be considered.

With regard to the application of the criterion of allocation in connection with the election of auditors, under Art. 148, paragraph 1 bis of the TUF, Reply to S.p.A. applied for the first time the renewal of the corporate bodies on 23 April 2015.

## DIVERSITY POLICIES

The Diversity Policies adopted by the Company are disclosed in the Non-financial declaration.

## STATUTORY AUDITORS

The Board of Statutory Auditors is made up of three standing auditors and two alternate auditors and the Board is comprised as follows:

- |                                    |                   |
|------------------------------------|-------------------|
| • Mr. Giorgio Mosci                | President         |
| • Mrs. Ada Alessandra Garzino Demo | Statutory Auditor |
| • Mr. Piergiorgio Re               | Statutory Auditor |
| • Mrs. Giancarla Branda            | Alternate auditor |
| • Mr. Stefano Barletta             | Alternate auditor |

The Board of Statutory Auditors was appointed during the Shareholders' meeting on 23 April 2018 based on the lists which were presented:

Alika List with candidates: Mr. Piergiorgio Re, Mrs. Ada Alessandra Garzino Demo, Mr. Alessandro Pedretti, Mr. Stefano Barletta and Mrs. Giuliana Monte.

Investors list with candidates: Mr. Giorgio Mosci and Mrs. Giancarla Branda.

From the Alika list Mrs. Ada Alessandra Garzino Demo, Mr. Piergiorgio Re and Mr. Stefano Barletta obtained the highest number of votes equal to 65.10%.

From the Investors list Mr. Giorgio Mosci and Mrs. Giancarla Branda obtained a number of votes equal to 34.69%.

With the approval of the 2020 Financial Statements, the mandate of the Board of Statutory Auditors appointed on 23 April 2018 will expire and the members will be called upon to renew the supervisory body.

In view of the renewal, in compliance with the recommendations of the new Code, during the Board of Directors' meeting of 15 March 2021, qualitative and quantitative criteria were defined for the assessment of the significance of certain circumstances that may compromise the independence of a Statutory Auditor as provided in the new Code. These criteria will apply for the next three years.

On an annual basis and upon nomination, the Committee, verifies the requisites of independence of its members in accordance to Article 144-novies of the Regolamentoo Emittenti and in compliance to the Corporate Governance. Following their appointment, the Company published the results of the evaluations regarding the independence through a press release.

During the periodic controls carried out and in compliance to the Code, the Committee has not disclosed any situations which could compromise independence and it has been resolved not to apply the criteria stated in Article 3.C.1 letter e) of the Code, integrated by Recommendation 7 relating to Art. 2 on the composition of corporate bodies (version of January 2020), in view of member's authority, even in light of the resolutions made by the Board of Directors which has waived the application of the same with reference to members of the social bodies.

This was verified with regards to Mrs. Ada Alessandra Garzino Demo from June 2012.

Considering the professional experience of the members of the Statutory auditors, the Company deemed not necessary to proceed with training courses, finalized at providing an adequate knowledge of Reply S.p.A's business and norms and regulations.

Statutory auditors who have an interest, even if only potential or indirect in a given transaction shall promptly inform the members of the Board of Statutory Auditors and the Chairman of the Board of Directors of the interest and the related circumstances.

During the periodic controls carried out in 2015 by the main controlling committees, the Statutory Auditors coordinated its activities with the functions of the Internal Audit, the Internal Control committee and with the Supervisory Board.

The exchange of information is carried out on a quarterly basis during Statutory Auditors meetings and also through the participation of the President during the Internal Control and Risk Committee meetings.

The table below summarizes the Board of Statutory Auditors with the main information requested in accordance with Article 144-duodecies issued by Consob.

Name	Office	Year of birth	Date of first nomination	In office	List(***)	Independent from code	% of attendance in meetings of Board of Statutory Auditors	Other offices held (1)
Giorgio Mosci	President	1958	23/04/2018	From 23.4.18 to 31.12.20 (**)	m	X	100.00%	8
Ada Alessandra Garzino Demo	Statutory Auditor	1963	10/06/2003	From 23.4.18 to 31.12.20 (**)	M	X	100.00%	20
Piergiorgio Re	Statutory Auditor	1947	23/04/2018	From 23.4.18 to 31.12.20 (**)	M	X	100.00%	25
Giancarla Branda	Alternative Auditor	1961	23/04/2018	From 23.4.18 to 31.12.20 (**)	m	X	NA	-
Stefano Barletta	Alternative Auditor	1974	23/04/2018	From 23.4.18 to 31.12.20 (**)	M	X	NA	-

Key:

M/m: M/majority list m/minority list

(1) Where applicable a list of all positions held has been annexed, according to Art. 144-quinquies decies of RE, as replaced by Resolution no. 17326 of 13 May 2010.

(\*) in office until the date of the meeting called for the approval of the 31 12 2020 financial statements

(\*\*) office not held on a continuous basis

(\*\*\*) the last quorum for the presentation of the lists reached 1%. Nomination was unanimous and reached favorable votes equal to 65.10% of the share capital.

Following is a brief description of personal and professional qualities of the members of the Statutory Auditors of the Company:

### **Giorgio Mosci president of the board of the statutory auditors**

Degree in Economics and Commerce in 1981, at the University of Genoa, enrolled in the Registry of Chartered Accountants and Accounting Experts since 1982 and in the Registry of Auditors since 1995. From 1981 to 1987 he began his professional career in the consulting firm Arthur Andersen, in June of 1987 he joined Ernst & Young, focusing in the field of auditing activities and conducting activities aimed at economic evaluations, assistance and accounting organization, becoming partner in 1993. He held several positions within Ernst & Young at the central office in Milan, and in particular was responsible for the Ernst & Young Entrepreneur of

the Year Award. From 2003 to 2005 he was professor at the Faculty of Economics and Commerce of the University of Genoa for the specialization course in auditing.

#### **Ada Alessandra Garzino Demo Statutory Auditor**

Mrs. Ada Alessandra Garzino Demo graduated in Economics at the University of Turin in 1987. She has been registered on the Registry of Qualified Accountants and Bookkeepers ever since 1991 and the Registry of Auditors ever since 1995. She works as a Chartered accountant and provides fiscal and corporate consultancy for medium-large companies as well as Multinationals. Mrs. Ada Alessandra Garzino Demo is specialized in Telecommunication tax matters and fiscal planning. She covers the role of both Statutory Auditor and president in other companies.

#### **Piergiorgio Re Statutory Auditor**

Mr. Piergiorgio Re has been registered on the Registry of Qualified Accountants and Bookkeepers ever since 1972 at the Court of Turin, on the Registry of Official Auditors since 1979, he is furthermore registered on the Registry of Technical Advisers at the Court of Turin, on the Registry of Experts provided for by the Code of Criminal Procedure at the Court of Turin and the Registry of Auditors.

In the field of professional activity, he holds assignments of Administrator or Auditor of various companies. He was Professor at the University of Turin - Department of Management - Economics and Management until October 31, 2017. As a university professor he is author of various publications and articles.

In 2020 the Statutory Auditors met seven (7) times.

The compensations paid to the Statutory Auditors are disclosed in the Annual Report on Remuneration policy and compensation paid pursuant to Article 123-ter of TUF.

Legislative decree 39/2010 assigns the Board of Statutory Auditors the role of the committee for control and risks and audits responsible for supervising: (i) the financial disclosure process, (ii) the effectiveness of the internal control, internal audit and risk management systems, (iii) the audit of the annual separate and consolidated accounts, (iv) the independence of the independent auditors and, starting from 2017, following the amendments made to the Decree 39/2010 by Legislative Decree No. 135/2016, as (i) inform the governing body of the outcome of the statutory audit; (ii) be responsible for the procedure aimed at selecting the auditor.

## **RELATIONS WITH SHAREHOLDERS**

The Board of Directors ensures that a person in charge of relations with investors is identified and periodically assesses the need to constitute a structural function within the company.

With a resolution of the Board on 24 April 2018 Mr. Riccardo Lodigiani, in charge of relations with institutional investors and with shareholders (Investor relator) in order to create an ongoing dialogue with the market. The abovementioned person must exclusively and periodically inform the Chairman and the designated member of the board of his activities.

On the Company's website ([www.reply.com](http://www.reply.com), Investors – Corporate Governance), the following documents are available:

- Company by-laws;
- Annual calendar for 2021 of company events;
- Organizational Model pursuant ex art. 6 Legislative Decree no. 231/01 and the Code of Ethics;
- Procedure for the management and communication to the market of privileged information, for the compilation of the Registry of persons having access to privileged information and in the field of "Internal Dealing";
- Corporate Governance Code;
- Annual Report on Remuneration policy and compensation paid;
- Non-financial declaration;
- Procedures on Related party transactions;
- Policy Whistleblowing;
- Regulation for the double voting right.

## GENERAL SHAREHOLDERS' MEETING

The company encourages and facilitates the participation at the Annual General Meetings providing any necessary information or explanation in order to guarantee a smooth and conscientious participation of the Shareholders.

The responsibilities and powers of the General shareholders are those provided by law.

Art. 12 of the Company by-laws establishes that shareholders are entitled to intervene during the General Shareholders' meeting if they are shareholders at the end of the seventh accounting day of open markets preceding the General Shareholders' meeting and have provided written notice pursuant to art. 2370, paragraph two of the Italian Civil Code.

The Company can designate for each general meeting one or two persons to whom confer the voting rights with specific instructions for one or more proposals on the agenda.

The designated persons, the means and terms of the conferred delegation are communicated on the notice calling the general meeting.

The company does not deem necessary the adoption of an Annual General Meeting legislation (aimed at regulating the running of the meetings), as the Company's by-laws provide adequate provisions concerning the matter.

Considering the pandemic situation due to Covid-19, the Shareholders' Meeting of 21 April 2020 was held in accordance with the procedures allowed by Legislative No. 18/2020 pursuant to art. 106 paragraph 4. Therefore, the participation of the Shareholders in the Ordinary and Extraordinary Shareholders' Meeting held last April 21, 2020, took place exclusively through the designated representative pursuant to art 135 undecies of the TUF; in addition, all members participated.

On that occasion, the Board of Directors reported on its activities during the year 2019.

As mentioned in the previous paragraphs, The Extraordinary Shareholders' Meeting on 13 September 2018 also approved the introduction of the double voting rights, as per art. 127-quinquies of the TUF, in accordance with the current legislative and regulatory framework, and approved the related amendments to the Article of Association.

## **OTHER CORPORATE GOVERNANCE PRACTICES**

*System of the Company's operational procedures* – in order to properly apply the Company's regulations and to reduce risks connected with achieving the Company's objectives, Reply S.p.A. has adopted a set of procedures that regulate internal processes, governing both the activities carried out by the single departments as well as relations with other entities; Reference is made in this regard to what has been described in the paragraph on the Internal Control and Risk Management System.

## **CHANGES SUBSEQUENT TO THE YEAR END UNDER REVIEW**

Following the year end close no significant changes have been made to the structure of the Corporate Governance, other than what has been disclosed above.



## CONSIDERATIONS ON THE LETTERS DATED 19 DECEMBER 2019 AND 22 DECEMBER 2020 BY THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE

It is noted that the recommendations made in the letters dated 19 December 2019 and 22 December 2020 were brought to the attention of the Board of Directors in order to evaluate Reply's position with respect to the adoption of recommendations sent by the Committee.

With particular reference to the main areas of improvement identified by the Committee, the following shall be noted:

- **sustainability:** the company shares the call of the Corporate Governance Committee to integrate the sustainability of the company's business activity into the definition of strategies, the internal control and risk management system and the Remuneration Policy. As mentioned in the DNF, Reply believes that in order to guarantee the continuity of the business in the long term it is now necessary to interact in a positive way with the system, not only from an economic point of view, but also from a social and environmental one, creating value for all stakeholders with whom the company interacts. With specific reference to remuneration, it should be noted that the Remuneration Policy is aimed to attract, motivate and retain resources in possession of the professional qualities required to successfully pursue the Company's objectives. The Policy is also an instrument to align the interests of management with those of shareholders, pursuing the priority objective of value creation in the medium-long term, introducing a strong link between pay and performance of both the entire company and individuals;
- **pre-Council information:** as already reported last year, the Chairman of the Board of Directors of the company took a positive note of the Committee's suggestion and the pre-Council information was further improved, as well as the timing of making available of the same;
- **application of the independence criteria:** also in accordance with the recommendations of the new Code, the Board defined qualitative and quantitative criteria for assessing the significance of certain circumstances that could compromise the independence of the members of the corporate bodies.
- **self-assessment of the administrative body:** the Chairman will bring to the attention of the Board the recommendation of the Committee in order to improve the board review of the company.
- **appointments and succession of directors:** as already pointed out in the above paragraphs of this report, the Board considered not to set up an internal committee for the proposals of appointing to office the directors, in view of the composition of the current ownership structure, which is concentrated, and the governance structure of Reply S.p.A., as well as the fact that this function is already carried out by shareholders when submitting lists for the renewal of the company bodies.

- **remuneration policies:** - as highlighted in the 2019 Remuneration policy and compensation paid, this area of improvement was subject to attention of the company, which carried out a review of the remuneration system for executive directors and executives with strategic responsibilities that led to the approval of the previous remuneration policy, with particular reference to medium and long-term components. With specific reference to the adequacy of the remuneration of the Non-executive directors and the members of the Control committee, the Board of 21 April 2020 has decided the increase of the compensation of the Non-executive directors and of the Statutory Auditors commencing financial year 2020.

Turin, 15 March 2021

For the Board of Directors  
The Chairman  
**Mr. Mario Rizzante**





