



# Corporate Governance Report

**Pursuant to Art. 123-bis of the T.U.F.  
(one tier governance model)**

**(Fiscal year 2021/2022)**

Date of approval: September 22<sup>nd</sup>, 2022

**Digital Bros S.p.A.**  
Via Tortona, 37 – 20144 Milan, Italy VAT  
Number and Tax Number 09554160151  
Share Capital: Euro 6,024,334.80 of which subscribed Euro 5,706,014.80  
Milan Companies House no. 290680-Vol. 7394 Chamber of Commerce No. 1302132

The report is available in the Governance/Corporate  
Governance Report section at [www.digitalbros.com](http://www.digitalbros.com)

*Please consider that this is an Italian to English translation and that the Italian version shall  
always prevail in case of any discrepancy or inconsistency*

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## GLOSSARY

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

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

**Civil Code:** the Italian Civil Code.

**Corporate Governance Code/Code:** the Corporate Governance Code approved in January 2020 by the Corporate Governance Committee.

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

**Fiscal Year/Reporting Period:** the year ended June 30<sup>th</sup>, 2022 to which the Report relates.

**Group or Digital Bros Group:** collectively, the Parent company and its subsidiaries pursuant to Art. 93 of the T.U.F..

**Issuers' Regulation:** the Regulations issued by Consob by means of resolution 11971 of 1999 for issuers and its amendments.

**Market Regulation:** the Regulations issued by Consob with the resolution 20249 of 2017 on the subject of markets and its amendments.

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

**Related party Regulation:** the Regulations issued by Consob with the resolution no 17221 of March 12<sup>th</sup>, 2010 (as subsequently amended) on related party transactions.

**Remuneration Report:** the Report on Remuneration and fees paid required by Art. 123-ter of the T.U.F. and approved by the Board of Directors together with the Corporate Governance Report.

**Report/Corporate Governance Report:** the corporate governance report prepared pursuant to Art. 123-bis and 89-bis of the T.U.F..

**T.U.F.:** Legislative decree no. 58 of February 24<sup>th</sup>, 1998 (Testo Unico della Finanza) and its amendments.

Unless otherwise specified, the Code definitions are used with the meaning therein specified: Business Plan, Chief Executive Officer (CEO), Companies with concentrated ownership, Control Body, Directors, Executive Directors, Independent Directors, Large company, Significant shareholder, Sustainable success and Top management.

## 1. GROUP PROFILE

The Company develops, produces, markets and distributes, directly and/or through its subsidiaries, entertainment products and services, including video games for personal computers and consoles, accessories and multimedia products in general, both in Italy and worldwide.

The mission has been pursued with the incorporation and/or the acquisition of companies to commercialize the Group's products on major international markets and to develop new video games.

The Parent Company is a company incorporated under the Italian law and is listed on the Euronext STAR segment of Borsa Italiana. The Company adopted the Corporate Governance Code.

The Company has a one tier governance model and its governance bodies are:

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

Shareholders' General Meetings express the decisions of the entirety of the shareholders through the resolutions adopted. Resolutions passed in accordance with the Law or the Articles of Association are binding for all shareholders, including the absent or dissenting ones, without prejudice to the right of withdrawal for dissenting shareholders, where permitted. Shareholders' general meetings are convened in accordance with the Laws and regulations applicable to companies with shares listed on regulated markets to take decisions about the items reserved for them by the Law.

The Board of Directors is vested with all powers of ordinary and extraordinary administration and has a permanent role in the Company governance process. It is based on the transparency and correctness of management decisions both for the Company and in respect to the stakeholders. The Board pursues the Group sustainable success through:

- solid economic, financial and social growth;
- the continuous improvement of the quality of the products and services offered to consumers, increasing their satisfaction through effective and fair competition, in full compliance with the Laws and regulations in force in the countries where the Group does business;
- the well-being and professional growth of employees and consultants, maintaining a healthy, motivating and compassionate work environment free of any form of discrimination;
- the promotion of the long-term personal growth of individuals;
- contribution to the financial and technological development of the videogame sector with a view to sustainable success.

The Section 4.1 – Role of the Board of Directors, 6 – Board of Directors' Committees, 8 - Directors' Remuneration, 9 - Internal Control and Risk Management System of the Report, together with the ESG Policy and the Code of Conduct, available on the Company's website, contain further details about the integration of sustainability objectives into the Issuer's strategies.

The Board of Statutory Auditors and the internal control and audit committee supervises about the compliance of management decisions with the Law and the Articles of Association and perform a management control function, especially with regard to principles of prudence and permanently assessing the Group's organisational structure. Since April 7<sup>th</sup>, 2010, pursuant to the Legislative Decree 39/2010 following the adoption of Directive 200/43/EC, the Board of Statutory Auditors performs the activities provided for by Art. 19 of the legislative decree. This includes the supervision of:

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

In accordance with the Law, the external auditors are appointed by the Shareholders' General Meeting from the register of the audit companies published by Consob. The external auditors verify that the accounting records have been properly kept, that operating events have been correctly recorded and that the Company and consolidated financial statements match with the accounting records.

The Control and Risk Committee, a Remuneration Committee and a Nomination Committee, as provided by the Code, have also been formed, together with the Supervisory Board ex the Legislative Decree 231/2001.

The Legislative Decree no. 254/2016, pursuant to article 2, does not provide the Company to prepare the non-financial statement. The Issuer is classified as a small and medium company in terms of Art. 2-ter of Consob Regulation 11971 and Art 1(1)(w-iv 1) of the T.U.F., as per list published by Consob on its website at [www.consob.it/web/area-pubblica/emittenti-quotati-pmi](http://www.consob.it/web/area-pubblica/emittenti-quotati-pmi).

The Issuer neither falls within the scope of the Code definitions of "Large company" i.e., with a capitalization greater than Euro 1 billion, nor within the definition of "Company with concentrated ownership".

## 2. INFORMATION ABOUT THE OWNERSHIP STRUCTURE AT JUNE 30<sup>TH</sup>, 2022 (pursuant to Art.123-bis, (1), T.U.F.)

This section provides information regarding the Company's ownership structure, in accordance with Art. 123-bis of the T.U.F., when applicable. The information is up to date as of June 30<sup>th</sup>, 2022.

### a) Capital structure (pursuant to Art. 123-bis (1) (a) of the T.U.F.)

Share capital subscribed and paid at June 30<sup>th</sup>, 2022 amounted to Euro 5,705,174.80.

Subscribed share capital consists of 14,262,937 ordinary shares with a par value of Euro 0.4 each.

SHARE CAPITAL STRUCTURE				
	No. shares	No. voting rights	Listed/not listed	Rights and obligations
Ordinary shares	14,262,937	14,262,937	Euronext STAR Milan	The shares are nominal, fully transferable and indivisible. Each share grants the right to one vote at the Company's Ordinary and Extraordinary Shareholders' Meetings
Preferred shares	-			
Multiple voting rights shares	-			
Other shares granting voting rights	-			
Savings shares	-			
Convertible savings shares	-			
Other shares with no voting rights	-			
Other	-			

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

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

On January 11<sup>th</sup>, 2017, the Shareholders' General Meeting approved the "2016-2026 Stock Option Plan" for a restricted number of directors and managers of the Company and of the Group, identified by the Board of Directors. The Plan will expire on June 30<sup>th</sup>, 2026 and provides for the allocation of a maximum number of 800,000 options as follows:

- a. 240,000 options on July 1<sup>st</sup>, 2019;
- b. 240,000 options on July 1<sup>st</sup>, 2022;
- c. 320,000 options on July 1<sup>st</sup>, 2025.

The exercise price of each option shall be equal to the average listed price of Digital Bros shares recorded on the market in the six months prior to the assignment date.

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

At the reporting date, only one beneficiary of the Plan requested the exercise of the first tranches of options, for a total of 2,100 options exercised at Euro 10.61 each.

Further information about the “2016-2026 Stock Option Plan” and the related capital increase is provided in the Notes to the Company’s financial statements at June 30<sup>th</sup>, 2022 and in the information document which is available in the Governance/Remuneration section of the website at [www.digitalbros.com](http://www.digitalbros.com), as well as in the Remuneration Report.

**b) Restrictions on the transfer of shares (pursuant to Art. 123-bis (1) (b) of the T.U.F.)**

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

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

The Company may be classified as a SME, in terms of Art. 2-ter of Consob Regulation 11971 and Art. 1 (1) (w-iv) (1) of the T.U.F.. Accordingly, the threshold for the disclosure of significant holdings pursuant to Art. 120 of the T.U.F. is 5% of share capital with voting rights. According to the shareholder’s register and considering the notices received pursuant to Art. 120 of the T.U.F., the following parties held, directly or indirectly, shares in the Company with voting rights representing more than or equal to 5% of the share capital as of the date of this report:

SUBSTANTIAL HOLDINGS			
Declarant	Direct shareholder	% of share capital	% voting rights
Abramo Galante	YES	34,62%	34,62%
Raffaele Galante	YES	32,80%	32,80%

**d) Shares with special rights (pursuant to Art. 123-bis (1) (d) of the T.U.F.)**

The Company has not issued any shares holding special control rights. The Articles of Association does not provide the possibility of issuing shares with increased or multiple voting rights.

**e) Employee share ownership: mechanism for exercise of voting rights (pursuant to Art. 123-bis (1) (e) of the T.U.F.)**

There are no specific mechanisms for the exercise of voting rights by employees.

**f) Restrictions on voting rights (pursuant to Art. 123-bis(1)(f) of the T.U.F.)**

There are no restrictions of any kind on voting rights.

**g) Shareholder agreements (pursuant to Art. 123-bis (1) (g) of the T.U.F.)**

The Company is not aware of any shareholder agreements pursuant to Art. 122 of the T.U.F..

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

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

The Articles of Association does not waive from the passivity rule provided for in Art. 104 (1) and (2) of the T.U.F. and, since there are no limitations on the transfer of shares or limitations on voting rights, the Articles of Association does not provide for the application of the neutralisation rules provided for in Art. 104-bis (2) and (3) of the T.U.F..

**i) Delegated powers regarding share capital increases and powers to authorize the purchase of treasury shares (pursuant to Art. 123-bis (1) (m) of the T.U.F.)**

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

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

The Extraordinary Shareholders' Meeting may grant the directors the power to increase share capital, on one or more steps, for a maximum of five years from the date of the resolution, up to the amount determined in the resolution. Such power may also extend to the adoption of the resolutions provided for in Articles. 2441 (4) and (5) of the Civil Code and in accordance with Art. 2441 (6). Without prejudice to all other provisions governing share capital increases, share capital may be increased without the right of pre-emption, in accordance with Art. 2441 (4) of the Civil Code, by the shareholders' meeting or the Board of Directors, provided that such power has been delegated to the latter, within the limits of 5% of the pre-existing share capital, including cash contribution, on the condition that the price of issue corresponds to the market value of the shares, as confirmed by a specific report by the external auditors.

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

The Shareholders' Meeting of October 27<sup>th</sup>, 2021 authorized the purchase and disposal of Company treasury shares pursuant to art 2357 of the civil code. The authorization grants the Company the power to purchase treasury shares for a period of maximum eighteen months and dispose of ordinary treasury shares, without any temporal limits, in accordance with the procedures contained in the EU Regulations and the Italian Law in force and for the purposes provided by the Law, which include:

- a) market liquidity and efficiency;
- b) retention for future purposes including consideration in extraordinary transactions through the exchange of shares, contributions or other act of disposition with other subjects, share at the service of convertible bonds also including the convertible bonds with warrants;
- c) use in compensation plans based on financial instruments in favour of the Group directors, employees or contractors pursuant to Art. 114-bis of the T.U.F., as well as the shares allocation to Shareholders.

The purchases will take place at a unitary consideration not lower than the official price recorded on the stock market in the trading session of the day before each single operation, decreased by 20%, and not higher than the official price recorded on the stock market in the trading session of the day before each single operation, increased by 10%, in compliance with the terms and conditions established by the Delegated Regulation (EU) 2016/1052 and market practices in force from time to time.

As at June 30<sup>th</sup>, 2022, the Company did not hold any treasury shares.

For any further details, the motivated Directors' proposal about the authorization for purchase and disposal of treasury shares approved by the Shareholders' Meeting of 27 October 27<sup>th</sup>, 2021, is available on the Company's website in the Governance / Shareholders' Meeting section.

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

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

The information required by Art. 123-bis (1) (i) of the T.U.F. are reported in the Remuneration Report and the Section 8.1. of the Corporate Governance Report. The information required by Art. 123-bis (1) (l) of the T.U.F. about the appointment and substitution of directors is described in Section 4.2, while the information requested in the second part of the aforementioned article, are illustrated in Section 13.

### **3. COMPLIANCE (pursuant to Art.123-bis(2)(a), of the T.U.F.)**

The Company has adopted the Corporate Governance Code. The Corporate Governance Code is available at the link <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020eng.en.pdf>.

The governance model adopted by the Issuer complies with of the Company's size, the shareholder structure, the business market and the complexity of its operations. Any non-compliance in respect of the Code is described in the different sections following with a detailed motivation of the different practice adopted and which governance body has approved it.

The governance structure adopted is not influenced by non-Italian Law provisions in relation to either the Parent company, or its subsidiaries.

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

The Company amended its Articles of Association by the Shareholders' Meeting resolution of October 28<sup>th</sup>, 2013 in order to reflect the changes required by Legislative Decree January 27<sup>th</sup>, 2010 and the Law 120/2011.

#### **4.1 Role of the Board of Directors**

The Board of Directors has the exclusive responsibility of the management of the Company and enter the necessary operations in respect of the Group objectives.

In accordance with Principles I, II, III and IV of the Code, the Board of Directors:

- pursues the Group's sustainable success;
- defines the strategies of the Company and the Group in line with the sustainable success, monitoring its implementation;
- defines the most efficient corporate governance system for the business activities and the strategies and, if needed, reviews and suggests the appropriate amendments, submitting them to the Shareholders' Meeting, when applicable;
- promotes the dialogue with shareholders and other relevant stakeholders in the most appropriate forms.

The Board of Directors have all the powers of ordinary and extraordinary administration of the Company, with the prerogative of undertaking all transactions considered appropriate for the achievement of the Company's goals, as provided for by Art. 20 of the Article of Association, with the exclusion of those reserved to the Shareholders' Meeting by the Law and the Articles of Association. The following powers are reserved to the Board of Directors according to the Company's Articles of Association:

- a) appoint the executive committee and to establish the terms of office, powers and remuneration of its members, where applicable;
- b) divide the total remuneration of the Board of Directors between each director and to the Chief Executive Officers, after the preliminary review of the Board of Statutory Auditors;
- c) form any committee with a consulting role and determine their powers, responsibilities and operating procedures;

- d) report to the shareholders during the Shareholders' Meetings;
- e) report to the Board of Statutory Auditors about the activities performed and the most significant transactions at least quarterly.

Based on the Company's practice, the Articles of Association and in line with Recommendation 1 of the Code, the Board of Directors has exclusive responsibility for:

- a) reviewing and approving the strategic, business and financial plans of the Company and the Group and monitoring their implementation also with the purpose of long-term value creation;
- b) establishing the corporate structure of the Group and the Company's corporate governance;
- c) assessing the nature and level of risks compatible with the strategic objectives, considering all the risks that may be significant in terms of medium/long term sustainability;
- d) review the compliance of the organisational and accounting structure of the Company and its subsidiaries in respect of the internal control and risk management system (Section 9 – Internal Control and Risk Management System for further details);
- e) providing and withdrawing powers of attorney to the Chief Executive Officers and establishing their limits and the conditions of exercise;
- f) review the general operating performance, with a focus on the potential conflict of interest taking into account the information received from the Chief Executive Officers and the internal control and risks committee, and periodically comparing actual and planned results;
- g) examining and approving in advance the transactions of the Company and its subsidiaries of significant strategic and financial importance with a focus on situations of potential conflict of interest and related party transactions;
- h) defining and adopting the Group's corporate governance rules;
- i) establishing the frequency with which the Chief Executive Officers report to the Board of Directors;
- j) conducting an assessment, at least once a year, about the size, the composition and functioning of the Board of Directors and its committees. In that respect, it expresses opinions for the shareholders on the professional figures whose presence on the Board of Directors is considered appropriate before the appointment of the new Board;
- k) providing information in the corporate governance report concerning its composition, with an indication for each member of his/her position and professionalism, the role in the Board of Directors, and the seniority together with the methods of application of Art. 1 of the Code, the number and average duration of the meetings of the Board of Directors and the attendance in percentage terms of each director; the process for the assessment of the Board of Directors and the Committees functioning;
- l) adopting a procedure for the internal and external release of documents and information concerning the Group with particular regard to privileged information (Section 5 - Release of Corporate Information for further details) on the basis of the proposal made by the Chief Executive Officer or the Chairman of the Board of Directors;
- m) expressing the maximum number of offices that a director or statutory auditor can hold in listed companies (Italian and abroad), in finance, banking or insurance companies, or in companies of a large dimensions, also considering the participation of the Directors to the Committees;
- n) approving commitments of any nature with a duration of more than five years;

- o) approving leases commitments with a term of more than two years and the purchase of real estate properties.

The Chairman of the Board ensures that the information and documents relevant to the decisions within the scope of responsibility of the Board of Directors are made available to the Directors and the Statutory Auditors, in a timely way before each Board meeting. Managers of the Company and the Group may participate in the meetings of the Board of Directors in order to provide the necessary details concerning about the items discussed in the meetings. During the reporting period, no managers assisted in any Board meeting.

The Chairman shall ensure that adequate information concerning each meeting agenda is provided in proper advance to all Directors. If the topics in the agenda are ordinary, the relevant documents, where available, are available to Board members at least two business days before the scheduled date for the meeting of the Board, unless particular confidentiality with regard to privileged information require a shorter period. The Chairman of the Board of Directors may establish a different period about extraordinary items on a case-by-case basis. These requirements were respected during the reporting period.

The calendar of the Board of Directors meetings for the review and approval of the quarterly and annual financial statements are announced in advance. The financial calendar is available on the Company's website.

During the reporting period, no Information was withheld to the members of the Board of Directors for reasons of confidentiality in relation to any matters discussed at the meetings of the Board of Directors.

The Board of Directors has evaluated and approved the organisational, finance and accounting structure, with regard to the Company and Group companies' internal control system and risk and conflict of interest management. The evaluation was performed with the support of the Control and Risk Committee which during its meetings monitored the effective functioning of the internal control system on an ongoing basis.

On September 27<sup>th</sup>, 2021, the Board of Directors conducted its annual assessment, pursuant to Recommendation 21 of the Code and concluded that the dimension, composition and functioning of the Board and its committees were adequate for to the Company's management and organisational requirements. The assessment considered the professional and managerial experience of its members in accordance with the criteria set forth in Art. 148 (3) of the T.U.F. and in the Code. At the date of the assessment, the Board comprised nine directors, five of whom were non-executive directors (three of them independent). In conducting the assessment, the Board was not assisted by external consultants. This analysis was conducted considering the complexity and dimension of the Company and the Group. As part of its responsibilities, the Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors in assessing the independence of its members.

Before the appointment of a new Board of Directors, the previous Board of Directors advises the shareholders about the appropriate professionalism and management skills, based on the results of the self-assessment conducted. On September 16<sup>th</sup>, 2020, the previous Board of Directors communicated its opinion about the actual.

On October 28<sup>th</sup>, 2020, a Shareholders' General Meeting approved the annual remuneration of Euro 1,200,000.00 for the entire Board of Directors. The remuneration of each director was approved by the Board with the preliminary review of the Board of Statutory Auditors and the Remuneration Committee. The Company implemented a remuneration policy for executive directors that provides incentives related to achievement of either short or medium-long term objectives.

The remuneration received by each member of the Board of Directors at June 30<sup>th</sup>, 2022 is detailed in the Remuneration

Report.

The Board of Directors monitors the operating performance on a quarterly basis through a comparison between actual and forecast results.

The Board of Directors has approved a procedure about significant transactions in which a director holds an interest. The transactions requiring the preliminary approval of the Company's Board of Directors, as they are considered significant, include:

- a) mergers, spinoff, disposals, and acquisitions, in any form, of equity interests in companies, businesses or business units;
- b) investments in property, plant and equipment that exceed Euro 1 million per transaction;
- c) leases (or sub-leases) for property or leases (or sub-leases) of businesses or business units with a term of more than nine years or for an amount that exceeds Euro 1 million per transaction;
- d) disputes settlements, judicial or not, involving amounts that exceed Euro 1 million per transaction;
- e) disposals of operating assets with a total value of more than Euro 1 million per transaction;
- f) loans or guarantees in favour of third parties that exceed Euro 3 million per transaction, if in the interest and/or for the benefit of the Company (or associations, foundations, consortia or entities) and other Group entities, or Euro 500 thousand if for or in the interest of third parties;
- g) purchases of goods or services and/or contracts for the purchase/sale or supply in any form of assets or services, with the exception of investments in tangible assets, and the related financial instruments when the joint signature of two Chief Executive Officer is required.

In order to expedite the process, the transactions indicated in point d) and g) may be conducted by the Chief Executive Officers, if the appropriate information is preliminary submitted to the Directors and Statutory Auditors, and then approved by the following scheduled Board of Directors.

In accordance with the applicable Laws, regulations and the Articles of Association, the Board of Directors is responsible for a preliminary review and approval of the Group transactions in which one or more directors hold an interest, directly or indirectly.

Related party transactions are also reserved for the preliminary review and approval of the Board of Directors. On November 11<sup>th</sup>, 2010, the Board of Directors approved the Procedure for Related Parties Transactions to reflect the amendments introduced by Consob resolution 17221 of March 12<sup>th</sup>, 2010. General criteria have been established for the identification of significant related party transactions. An updated version of the Procedure has been approved by the Board of Directors on 29<sup>th</sup> June 2020 to update the existing procedure with the most recent Consob requirements. The procedure is available in the Governance/Documents and Procedures section of the Company's website at [www.digitalbros.com](http://www.digitalbros.com).

During the fiscal year, the Board did not submit any amendment to the Group corporate governance system for the Shareholders' Meeting approval.

On February 10<sup>th</sup>, 2022, the Board adopted the Shareholders Engagement Policy to formalize and manage the dialogue with the Group' shareholders, investors and other stakeholders, in accordance with the provisions of Article 1, Recommendation 3 of the Code.

The Shareholders' General Meeting has authorised exceptions to the non-competition requirements pursuant to Art. 2390 of the Civil Code. The Board of Directors did not have to deal with any cases of such a nature.

#### **4.2 Appointment and replacement of Directors (pursuant to Art. 123-bis (1)(l) of T.U.F.)**

Pursuant to Art. 16 of the Articles of Association, the Board of Directors of Digital Bros S.p.A. may be formed by a minimum of five to a maximum of eleven members, as decided by the Shareholders' Meeting, provided that a minimum number of independent directors consistent with the Law will be elected.

The Shareholders' Meeting held on October 28<sup>th</sup>, 2020 confirmed nine Board members. The members of the Board of Directors remain in office for three fiscal years and their duties shall expire on the date of the Shareholders' Meeting which will be convened to approve the financial statements at June 30<sup>th</sup>, 2023.

To ensure that the minority shareholders are able to elect a member of the Company's Board of Directors, pursuant to Art. 16 of the Articles of Association, the Board of Directors is elected on the basis of the lists submitted by the shareholders, in which the candidates are listed sequentially. At the time of submission, the Shareholders who hold an equity interest of not less than the amount established by applicable Laws and in accordance with the Issuers' Regulation may submit a list for the election of directors. The most recent renewal of the Company's corporate bodies required a quorum of 4.5% under the provision by the Art. 147-ter of the T.U.F. and illustrated by the Consob determination 35 of July 16<sup>th</sup>, 2020. Each shareholder, or shareholders who are members of a voting syndicate, may not submit more than one list or vote for more than one list, including indirect or fiduciary company presentation. A candidate may be present in one list only, otherwise he/she shall be ineligible.

The lists submitted must be signed by the shareholders and filed at the Company's registered office considering the deadlines established by the applicable Law. The following documents must be filed together with each list, within the deadlines indicated above:

- statements in which individual candidates accept their office and certify, under their own responsibility, that there are no reasons of ineligibility or incompatibility and that they meet the requirements prescribed by the Law and the Articles of Association for their respective offices;
- curricula vitae presenting each candidate's personal information and professionalism experience, with the evidence if the candidate will be independent;
- certification issued by an authorised broker in accordance with the Law demonstrating the ownership of the number of shares required to submit a list. This documentation may be submitted subsequently but to before the deadline provided by the T.U.F..

All the lists that do not meet the foregoing requirements will be disregarded. The election of the Directors takes place as follows:

- they will select in the sequential order of the list that has obtained the highest number of votes in the shareholders' meeting in the number determined by the shareholders' meeting from time to time, in accordance with applicable gender balance provisions, in the sequential order in which they are presented in the list except one that will be;

- the first candidate who is qualified as independent, as established by applicable legislation, in the sequential order in which the candidates are presented in the list that has obtained the second highest number of votes in the shareholders' meeting. However, for this purpose, the lists that have not obtained a percentage of votes equal to at least half that required to submit a list will not be considered.

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

If only one list of candidates is submitted all directors will be elected from that list in accordance with the applicable gender balance provisions. If no lists are submitted or if, for any reason, the directors are not appointed according to the procedure provided for herein, the shareholders' meeting will appoint the directors by resolution passed with limits provided by the Law, in accordance with applicable gender balance provisions. The appointment of directors in the event that the Shareholders' decision refers to one or few directors and not the entire Board, the shareholders' meeting shall pass resolutions with the limits required by the Law and Articles of Association, without following the above-described procedure, but in compliance with the applicable gender balance provisions.

The lists of candidates for the office are also published on the Company's website in the Governance/Shareholders' Meeting section.

Pursuant to Art. 17 of the Articles of Association, the Board of Directors shall elect a Chairman among its members, if the shareholders' meeting has already provided.

The Board of Directors may delegate part or all its powers to one or more Chief Executive Officers and/or to an executive committee, without passing the limits established by the Law and the Articles of Association.

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

There are no appropriate mechanisms for ensuring the election of the minimum number of independent directors. There are mechanisms in place to ensure the compliance with the gender balance provisions, in accordance with Art. 147-ter (1) of the T.U.F..

The Articles of Association does not require additional independence requirements by the members of the Board of Statutory Auditors on the top of those contained in the Art. 148 of the T.U.F., unless provided by the Code.

The Company is not subject to additional Law other than the T.U.F. about the composition of the Board of Directors.

The Section 7 – Directors Evaluation and Succession – Nomination Committee contains further details about the Board’s and the committees’ role in the evaluation, nomination and succession process for the Directors.

#### **4.3 Composition of the Board of Directors (pursuant to Art. 123-bis (2) (d) (d-bis) of the T.U.F.)**

The Company is managed by a Board of Directors composed of a minimum of five up to a maximum of eleven members as provided for by Art. 16 of the Articles of Association. Before appointing the board members, the Shareholders General Meeting determines their number and the duration of the office.

The Directors must satisfy the requirements requested by the applicable legislation. A minimum number corresponding should have independence requirements as provided by legislation.

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

At June 30<sup>th</sup>, 2022, the Board of Directors is formed by nine members. It was appointed by the Shareholders’ General Meeting of October 28<sup>th</sup>, 2020 and will remain in office until the approval of the financial statements at June 30<sup>th</sup>, 2023. A unique list was submitted to the Shareholders’ Meeting by Abramo Galante and Raffaele Galante representing at the date 65.31% (9,313,548 shares) of the share capital. The list of candidates was as follows:

<b>Name and last name</b>	<b>Office</b>
Sylvia Bartyan	Non-Executive/Independent Director
Lidia Florean	Non-Executive Director
Abramo Galante	Chairman and Chief Executive Officer
Raffaele Galante	Chief Executive Officer
Davide Galante	Non-Executive Director
Susanna Pedretti	Non-Executive/Independent Director
Stefano Salbe	Executive Director
Laura Soifer	Non-Executive/Independent Director
Dario Treves	Executive Director

The candidates were elected by 99,97% of the voting capital.

The independent directors comply with the independence requirements established by Art. 147-ter of the T.U.F. and the additional requirements provided by Art. 2, Recommendation 7 of the Corporate Governance Code. Details about seniority in the role are provided in the Section 17 - Summary Tables.

Short biographical notes about the members of the Board of Directors are provided below:

##### **Sylvia Anna Bartyan**

Born in Milan (Italy) on February 13<sup>th</sup>, 1975. Austrian.

Has a Law degree from the Università degli Studi di Milano. Member of the Milan Bar Association.

Specialized in commercial, corporate, real estate and construction Law, after more than a decade at Clifford Chance,

founded her own law firm in 2009. She performs academic tuition at the Università degli Studi di Milano and at SDA Bocconi - School of Management. She is a member of the Boards of Directors of IST S.r.l., MNEM S.r.l. and Recovery for Life S.r.l..

### **Lidia Florean**

Born in Portogruaro (Italy) on September 26<sup>th</sup>, 1951. Italian. She has served Digital Bros Group since 1990.

### **Abramo Galante**

Born in Beirut (Lebanon) on April 20<sup>th</sup>, 1963. Italian.

Together with his brother, Raffaele Galante, he founded Digital Bros S.p.A. which has become one of Italian largest video game distributors. He is in charge of the Group's Business Development Department.

He holds various offices in Digital Bros Group companies: Chairman and Chief Executive Officer of 505 Games S.p.A. and Game Network S.r.l., Director of 505 Games Ltd., Sole Director of 505 Mobile S.r.l., Game Entertainment S.r.l. and Kunos Simulazioni S.r.l., Director of Digital Bros Game Academy S.r.l., 505 Games (US) Inc., 505 Games Interactive Inc., Dr Studio Ltd., and Hawken Entertainment Inc, Sole Director of AvantGarden S.r.l., Hook S.r.l. and Supernova Games Studio S.r.l. and Director of Seekhana Ltd., Chrysalide Jeux et Divertissement Inc. and 505 Games Australia Pty Ltd..

### **Raffaele Galante**

Born in Beirut (Lebanon) on May 7<sup>th</sup>, 1965. Italian.

Together with his brother, Abramo Galante, he founded Digital Bros S.p.A.. He is in charge of the Group's Sales and Marketing Department.

He holds various offices in Digital Bros Group companies: Director of 505 Games S.p.A. and 505 Games Ltd., Sole Director of Game Service S.r.l., Director of Game Network S.r.l., 505 Games (US) Inc., 505 Games Interactive Inc., 505 Games Mobile Inc., Dr Studio Ltd., and Hawken Entertainment Inc.. Sole Director of 505 Games Spain Slu and 505 Games France S.a.s., Chairman and Chief Executive Officer of Digital Bros Game Academy S.r.l.. and Chrysalide Jeux et Divertissement Inc..

### **Davide Galante**

Born in Damascus (Syria), on January 11<sup>th</sup>, 1933. Italian.

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

### **Susanna Pedretti**

Born in Milan (Italy) on July 26<sup>th</sup>, 1977. Italian.

She has a Law degree from the Università degli Studi di Milano. Member of the Milan Bar Association since 2005.

Founding partner of Auditability S.r.l. Benefit Company, a consulting company specialized in “governance compliance and sustainability”, internal control and risk management systems for industrial and commercial companies and the non-profit organization. She is specialized about compliance pursuant to Legislative Decree 231/2001, in particular in the pharmaceutical and medical sector.

She is an Independent Director in the following companies listed on regulated markets: Fine Foods & Pharmaceuticals N.T.M. S.p.A. \*, FullSix S.p.A. \* and GreenthesiS S.p.A. \* in which she is the chairman or member of the Control and Risks, Sustainability, Remuneration and Related Parties committees. She is the Chairman/member of various Supervisory Bodies pursuant to Legislative Decree 231/2001 in commercial and industrial companies.

### **Stefano Salbe**

Born in Milan (Italy) on March 10<sup>th</sup>, 1965. Italian.

He has a degree in Business Economics from Università Bocconi, in Milan.

He began his career in 1990 as an auditor with Deloitte & Touche. In 1995, Stefano became Group Financial Analyst at Eaton Automotive. From 1996 to 2000, he served as Chief Financial Officer of Austin Italia Group. Since 2000, he has been the CFO of Digital Bros Group, CEO of 505 Games GmbH, Director of 505 Games S.p.A., Game Network S.r.l., 505 Games Interactive Inc. and 505 Games Mobile US Inc., Chrysalide Jeux et Divertissement Inc. and General Manager of 505 Games Spain Slu.

### **Laura Soifer**

Born in Buenos Aires (Argentina), on December 10<sup>th</sup>, 1974. Italian and Argentinian dual citizenship.

She graduated in Business Economics from Università Luigi Bocconi, Milan. Qualified as a Chartered Accountant and Auditor in 2010.

Following several experiences as a consultant in the Management Control system development, design and implementation team at companies operating in the manufacturing, pharmaceuticals, textiles and service sectors, since 2009, she is an associate at Studio Commercialisti Fumagalli e Codega. She teaches Management Accounting at the Economy faculty of Università Cattolica di Milano.

Since 2019, she has been an independent director of Orsero S.p.A.\* and since 2021 she is the Chairman of the Board of Statutory Auditors of Fine Foods N.T.M. S.p.A.\*.

### **Dario Treves**

Born in Milan (Italy) on March 2<sup>nd</sup>, 1968. Italian.

Graduated in Law from Università degli Studi di Milano. Member of the Milan Bar Association and counsel to the Corte di Cassazione.

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

He is the owner of a law firm with specific expertise in civil, procedural and bankruptcy law.

The companies marked with an asterisk (\*) in the above list are companies listed on regulated markets in Italy or abroad and finance, banking or insurance companies, or companies of significant size that are not part of the Issuer's Group.

Each member of the Board of Directors is required to take decisions in an informed, autonomous way, with the objective of value creation for the shareholders and it is required them to inform the Board of Directors of any office they hold as director or statutory auditor in companies listed on regulated markets in Italy or abroad, or in finance, banking, insurance companies or companies of significant size.

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

#### *Diversity criteria and policies in the composition of the Board and within the Group*

Since the 2015 appointment of the corporate governance bodies, the composition of the Board of Directors and the Board of Statutory Auditors has always respected the gender balance as required by Law no 120 of July 12<sup>th</sup>, 2011 ("Law 120/2011"), by the T.U.F., by Consob Resolution no 18098/2012 and by the Civil Code. In more detail, the Law 120/2011 provides that, upon the first renewal of the Board of Directors and the Board of Statutory Auditors after a year the law came into force, a portion of at minimum one fifth of the Directors and the Statutory Auditors elected shall be reserved for the less represented gender and with a portion of at least one third reserved for the less represented gender in the following two renewals. The lists which presents a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a number (rounded up) of candidates at least equal to the less represented gender meet the gender percentage prescribed by the pro tempore Law, as stated by Art.16 of the Articles of Association. As of June 30<sup>th</sup>, 2022, four women and five men acted as directors in the Board.

The Company has identified other diversity criteria for composition of the Board of Directors. On the top of the gender, the age and the educational and professional background of Directors is taken into consideration. With regard to the educational and professional background, the Board has identified the following criteria:

- a) competence in the sector in which the Group operates;
- b) entrepreneurial experience;
- c) managerial experience;
- d) legal expertise;
- e) human resources expertise;
- f) finance experience.

The guidance to shareholders on the composition of the Board of Directors, available on the Company's website in the Governance/Shareholders' Meeting/Shareholders' Meeting October 28<sup>th</sup>, 2020 section, supports with further details.

The members of the Board of Directors in charge present these mentioned characteristics and ensure an adequate level diversity also in terms of seniority of office, as reported in Section 17 - Table 2.

The Group has not adopted a dedicated diversity policy for the composition of the finance and control department due to the limited number of employees. Nonetheless, as stated in the ESG Policy, the Group rejects any discrimination based on gender, sexual orientation, race, religion, political and trade union affiliation, language, national origin, age or different ability. Equal opportunities underlie all Group HR processes, including the management, recruiting, training, professional development and the definition of remuneration and welfare systems. The Group is committed to

maintaining equality in terms of the pay gap and to enhancing and embracing the diversity of its workforce.

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

In accordance with the provisions of the Code about the role of the Board of Directors and its effectiveness, the Board of Directors has resolved about the maximum number of different offices that each director may enter, considering a limit that may be compatible with the effective fulfilment of the office as a director. Directors may not serve as director of more than five other companies listed on regulated markets (in Italy and abroad), in finance, banking or insurance companies, or in companies of significant size, and must consider, before accepting the position of director, to dedicate enough time to the diligent performance of their duties, bearing in mind the other offices accepted. Other Group companies are excluded in the calculation of the maximum number of offices held in other companies.

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

#### **4.4 Functioning of the Board of Directors (pursuant to Art.123-bis (2) (d) of the T.U.F.)**

On February 10<sup>th</sup>, 2022, the Board adopted the Regulation of the Board of Directors (“**Regulation**”) regulating the Board’s procedures, including the drafting of the minutes of the meetings and the procedures for managing information to Directors, in compliance with the Laws, regulations, the Articles of Association and the Code. If not otherwise specified, the Regulation also apply to the Board’s committees. At the reporting date, both the Control and Risks Committee and the Remuneration Committee adopted their own regulations which in addition to identifying the composition and functions of each committee, describe the procedures to call and perform the meetings.

In particular, the Regulation describe:

- a) the procedures for calling the Board meetings: the Board of Directors is called by the President as part of the annual scheduled meetings, at regular intervals but not longer than three months period, or in any case whenever the President deems it necessary, or when requested in writing by at least three of its members. Meetings are called and performed according to the methods and timing provided by the Articles of Association;
- b) the distribution of pre-meeting information: the documentation is made available to Directors and Statutory Auditors by the Secretary with the maximum confidentiality, at least two calendar days before the scheduled date. In some exceptional cases, when the compliance with the deadlines cannot be reached and/or the documentation could be made available directly during the meeting, the Chairman ensures that adequate information is given to all Directors and Statutory Auditors during the meeting. Adequate time is also dedicated to the in-depth analysis of each item on the agenda of the meetings;
- c) the minutes of Board resolutions are prepared by the Secretary or by whom takes his place and signed by the President and the Secretary or whoever takes his place. Following the meeting, a draft of the minutes is sent to all the Directors and after its approval is printed on the book of meetings and resolutions of the Board by the Secretary.

During the fiscal year, all the provisions of the Regulation were respected. All meetings of the Board and its committees have been drafted and approved and Directors were always informed in timely and adequate matter.

The Section 4.1 reports further details on the Board's activities during the reporting period, and the Section 17-Table 2 details regarding each Director participation in the meetings.

During the fiscal year, the Board of Directors was called ten times with an average duration of 1 hour and 8 minutes. Five meetings of the Board are scheduled for the year ending June 30<sup>th</sup>, 2023, one of which already performed.

#### **4.5 Role of the Chairman of the Board of Directors**

The Board of Directors appoints a chairman among its members if he is not already appointed by the Shareholders' Meeting.

The Chairman or, in his absence or impossibility to attend, the Chief Executive Officer or, in the absence of the latter, the Director appointed by the remaining members, lead the meeting. The President also chairs the Shareholders' Meetings. The Chairman promotes the effectiveness of the corporate governance system by a balance of powers between the different corporate bodies and coordinates the Board of Directors in the fulfilment of the Group's objectives.

The President calls the Board of Directors meetings, sets the agenda, coordinates the work, ensures that adequate information about the items on the agenda is provided to all Directors and can propose board resolutions.

The Chairman manages in the most appropriate way the agenda of the Board meetings, optimizing the discussion and ensuring adequate time is dedicated to each item on the agenda of the meeting. The Chairman:

- a) optimizes the participation of any Group's manager responsible for corporate function relevant to an item on the Board agenda, in agreement with the Chief Executive Officer and also upon request of other Directors;
- b) ensures that the information relevant to the decision within the scope of responsibility of the Board are made available in timely and appropriate way, to allow Directors to perform their role in an informed way.

The Chairman facilitates the participation of Directors and Statutory Auditors, after their appointment and during the mandate, to initiatives aimed at providing them with an adequate understanding of the industry in which the Company operates, of the business dynamics and their evolution, the principles of correct risk management and the applicable regulations, in the light of the sustainable success of the Group.

The President ensures the adequacy and transparency of the Board self-assessment process.

Following the adoption of the Shareholders Engagement Policy, the Chief Financial Officer, in its role as Investor Relations manager, has reported immediately to the following Board of Directors' meeting about the meetings held with shareholders, investors, analysts and brokers.

#### *Secretary of the Board*

The Board is assisted in the organization of its work by a Secretary of the Board of Directors ("**Secretary**") in accordance with the Articles of Association.

The Secretary is appointed on the proposal of the Chairman and, as per the Regulation, must have an adequate

professionalism, must aid and advise the Board with impartiality of judgment about every aspect relevant to the correct functioning of the corporate governance system.

The Secretary, in accordance with the provisions of Recommendation 18 of the Code, assists the President and, if appointed, the Deputy Chairman, in the correct functioning of the Board of Directors, ensures that the pre-meeting information is accurate, complete, clear and impartial and that the activity of the Committees is coordinated with the activities of the Board of Directors.

On June 28<sup>th</sup>, 2022, the Board appointed Secretary the Executive Director Dario Treves.

#### **4.6 Executive Directors**

For more than a decade, four Executive Directors have served the Company, each with specific tasks and responsibilities. The two main shareholders are also active members of the Board. All significant transaction (i.e., above Euro five million) require their joint signature. The other two Executive Directors are the CFO and the General Counsel. The CFO is in charge of the finance department, the investor relations function and the management system of the Group, the General Counsel is the responsible for all corporate affairs and legal activities.

This structure has proven efficiency and to be effective overtime. Therefore, the Company decided to maintain the pre-existing governance structure with the Chairman and Chief Executive Officer who received significant management powers and the Director in charge of the internal control and risk management system, identified in the CFO.

#### **Chief Executive Officers**

Abramo Galante and Raffaele Galante have been appointed Chief Executive Officers.

On October 28<sup>th</sup>, 2020, to keep flexibility in the management of the Company's operations, the Board of Directors assigned the Chief Executive Officers all the powers of ordinary and extraordinary management, except for those reserved to the Board of Directors by Law, by the Articles of Association or by a specific resolution of the Board of Directors.

#### **Chairman**

Abramo Galante has been appointed Chairman of the Board.

Pursuant to the Law and the Articles of Association, the Chairman holds the power of attorney of the Company and the power of signature for all legal transactions. The Chairman has also received powers as Chief Executive Officer. The Chairman is the primary responsible for the management of the Group and is not a controlling shareholder of the Company.

#### **Executive Committee (pursuant to Art.123-bis, (2) (d) of the T.U.F.)**

No Executive Committee has been established.

#### **Reporting to the Board**

The Chief Executive Officers report periodically to the Board on the activities performed during the exercise of the

powers given to them pursuant to Art. 2381 of the Civil Code. They also provide the Board and the Statutory Auditors with periodical information about the most significant operating and financial transactions carried out by the Company or by its subsidiaries, as well as about atypical or unusual transactions, related parties transactions or transactions involving a potential conflict of interests the review and approval of the latter is not directly reserved for the Board.

During the reporting period, as soon as possible and at least quarterly, the Chief Executive Officers reported to the Board of Directors about the activities carried out in exercise of their powers and the most significant transactions.

#### **Other executive directors**

The other Executive Directors are:

- Stefano Salbe who serves as the Group Chief Financial Officer, Director in charge of internal control and risk management system, financial reporting manager, Chairman of the German subsidiary 505 Games GmbH, General Manager of 505 Games Spain Slu and Director of Chrysalide Jeux et Divertissement Inc;
- Dario Treves who acts as the Group's General Counsel.

#### **4.7 Independent Directors and Lead Independent Director**

##### **Independent Directors**

The actual Board of Directors (appointed by the Shareholders' Meeting of October 28<sup>th</sup>, 2020) includes three independent directors. Non-executive Directors and independent directors are sufficient in terms of number and authority to ensure that their judgement may be significant about the Issuer's decision-making process. Non-executive directors and independent directors bring their specific expertise to the Board of Directors and thereby contribute to the decision-making process consistent with the Company's interests.

Pursuant to Art. 148, paragraph 3 of the T.U.F. and Art. 3 of the Corporate Governance Code previously adopted, the Board verified the independence requirements of Sylvia Bartyan, Susanna Pedretti and Laura Soifer. The Directors confirmed their independence as referred to in Art. 148, paragraphs 3 and 4 of the T.U.F.. The results of independence assessment process were published in the October 28<sup>th</sup>, 2020 press release.

The independence review was made in accordance with the application criteria provided by the Corporate Governance Code previously adopted and the prudent view of the Board of Directors, with the abstention of the Director involved. On the basis of the information made available by the interested parties and/or otherwise available, the Board of Directors assessed the relationships that potentially detriment the independence and resolved that the existing relationships do not compromise their autonomy also considering their professionalism.

The Board also set up a qualitative/quantitative method for the independence assessment. The relationship between an independent director and the Company in the current year, or in prior years, would be considered significant if the economic consideration, i.e., the sum of the fees for any relationship, with the Group was less than to the double of the fee for the office for other Directors or greater than 30% of the total annual income of the independent director. The Board of Statutory Auditors monitors the correct application of the assessment and the procedures applied by the Board of Directors to assess the independence of its members without any remarks.

The independent directors shall remain independent for the duration of their office and shall inform the Board of Directors in proper time of any situations that might jeopardise their independence.

The Board assesses the persistency of the independence requirements for the Non-Executive Directors at least once every fiscal year. On September 27<sup>th</sup>, 2021, the Board verified the persistence of the independence requirements of directors Bartyan, Pedretti and Soifer. For the purposes of the assessment, the Board considered all information provided by the Directors and applied all the criteria provided for by the T.U.F., the Code and the qualitative/quantitative method used internally.

The Board of Statutory Auditors verified the correct application of the criteria and of the procedures adopted by the Board to evaluate the independence of its members without any remarks.

During the fiscal year, an independent directors meeting was held on November 3<sup>rd</sup>, 2021. During the meeting, the adequacy of the information provided to non-executive and independent directors preliminary to any Board meetings was discussed, together with the Lead Independent Director role.

The contribution supplied by the independent directors enables the Board of Directors to ensure that an independent approach has been followed in the exam of cases of potential conflict of interest involving the Company and its controlling shareholders.

### **Lead Independent Director**

On October 28<sup>th</sup>, 2020 the Board of Directors appointed Laura Soifer as Lead Independent Director (who already held this position in the previous office). The Lead Independent Director is in charge of the following responsibilities in accordance with the recommendations provided by the Art. 2.C.4 of the Corporate Governance Code previously adopted and in any case in compliance with Recommendation 14 of the Code:

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

## 5. DISSEMINATION OF CORPORATE INFORMATION

The Company adopted a procedure for the internal management and external communication of corporate documents and information with specific reference to privileged information. In order to ensure that privileged information is properly identified, processed and communicated to the market and in order to avoid the abuse of privileged information and market manipulation, the Company adopted an Inside Information Procedure, to comply with the Art. 152-bis et seq. of the Issuers' Regulations. On October 2<sup>nd</sup>, 2019, the Board of Directors approved a revised version of the Inside Information Procedure following the regulatory changes occurring upon the adoption of EU Regulation 596/2014 as subsequently amended ("**MAR Regulation**").

In more detail, the Inside Information Procedure:

- a) identify and process the inside information by establishing criteria and responsibilities/processes while ensuring that safeguards to protect the confidentiality of inside information even if the information does not have the precision requirements but could potentially be classified as privileged if it will become precise;
- b) assess the obligations and prohibitions arising from the access to inside information or from the potential to generate it informing the management about the personal responsibility and the awareness and application of legislation applicable;
- c) manage the communication of a privileged information to the public (as well any delays) and clarifies the roles and responsibilities of the various parties involved;
- d) assess the process for the compliance with the obligation to maintain the lists of persons who have access to inside information also including an appropriate section reserved for those with permanent access to all Company information classed as privileged.

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

- a) sets out a series of operational references, application principles and interpretative criteria concerning internal dealing and blackout periods;
- b) highlights the legal penalties in the event of non-compliance with relevant regulations and also specifies the contractual liability and the possible consequences for breaching.

In accordance with Art. 2.2.3, paragraph 3 (P) of Borsa Italiana Regulations, that is applicable to companies listed on the Euronext STAR segment and in terms of the Internal Dealing procedure, relevant persons and persons with close relationship to them, may not undertake transactions until the disclosure to the public and in the 30 days before the meetings of the Board of Directors which will analyse the quarterly or annual financial statements, the proposals for the distribution of advances on dividends and preliminary results and, if disclosed on such an occasion, the proposal for the annual dividend to be submitted to the Shareholders' Meeting. The restriction does not apply to the purchase of shares through the exercise of rights deriving the stock-option and stock-grant plans, without prejudice to the obligation not to proceed with the sale thereof in the periods indicated.

The procedures described are available in the Governance/Documents and Procedures section of the website.

## **6. INTERNAL COMMITTEES OF THE BOARD (pursuant to Art. 123-bis (2)(d), of the T.U.F.)**

The Control and Risks Committee and the Remuneration Committee were established following the appointment of the new Board of Directors on October 28<sup>th</sup>, 2020, to help the effectiveness of the Board's work. The Board of Directors assigned the functions previously performed by the Related Parties Committee, to the Control and Risks Committee called only if needed, considering the reduced complexity of the transactions with related parties in place. The composition of the Control and Risks Committee in its capacity as Related Party Transactions Committee complies with the provision of the Code. On June 28<sup>th</sup>, 2022, the Nomination Committee was also established, whose functions up to the date had been reserved to the Board. Having set up the Nomination Committee, no functions of one or more committees recommended by the Code have been reserved to the Board.

In line with Recommendation 17 of the Code, the Board determined the composition of the committees enabling the competence and experience of the members, avoiding an excessive concentration of assignments.

The sections 7.2 - Nomination Committee, 8.2 - Remuneration Committee, 9.2 - Control and Risks Committee, 10 - Related Parties Committee, and 17 - Summary Tables of the Report provide further details about the composition and functioning of the committees.

The Regulation adopted by the Board of Directors also applies, where possible, to the Committees, in particular to the procedure for drafting and approving the meeting reports and to the management of pre-meeting information. The Regulation specifies the terms for making available the information, the methods of protection of the confidentiality of the data and information provided so as not to jeopardize the timeliness and completeness of the information flows. <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020eng.en.pdf>. The Section 4.4 contains further details about the Regulation.

At the reporting date, both the Control and Risks Committee and the Remuneration Committee adopted their own regulations which in addition to identifying the composition and functions of each committee, govern the procedures to call and perform the meetings.

### *Other committees*

No other committees, other than those provided by the Law or the Code, have been established.

## 7. NOMINATION COMMITTEE

### 7.1 Directors assessment and succession

The Board of Directors carries out a self-assessment concerning size, composition and concrete functioning at least every three years, in view of its renewal. The Board also assesses its role in defining strategies and in monitoring the progress of management and the adequacy of the internal control and management system risks.

During the reporting period, the Board conducted its self-assessment on September 27<sup>th</sup>, 2021. In this occasion the Board verified the managerial and professional skills of its members (executive, non-executive, independent). In conducting the assessment, the Board was not assisted by external consultants. The Board considered the organizational, administrative and accounting structure of the Company and its subsidiaries with strategic relevance, the functioning of the Board and its committees as well as the internal control and risk management system into be adequate in relation to the characteristics of the Group.

The Board of Directors, when required by Law, regulations or the Code pro tempore applicable, or when deemed appropriate:

- expresses, in view of each renewal, a guidance on the quantitative and qualitative composition deemed optimal, taking into account the results of the self-assessment;
- asks whoever submits a list that contains a number of candidates greater than half of the members to be elected, to provide adequate information, in the documentation presented for the filing of the list, about the compliance of the list with the guidance expressed by the Board, also with reference to the diversity criteria provided for by Principle VII and Recommendation 8 of the Code, and indicate the chosen candidate for the office of Chairman of the Board of Directors, whose appointment is compliant with the Articles of Association.

The Guidance to shareholders on the composition of the Board of Directors is published on the Company's website in advance of the publication of the Notice of Shareholders' Meeting. The Guidance identifies the managerial and professional profiles and the skills deemed necessary, having taken into account the industrial characteristics of the Company, and considering the diversity criteria indicated by Principle VII and by Recommendation 8 of the Code and the maximum number of offices in application of the Recommendation 15 of the Code.

The Nomination Committee has been entrusted with the preparation of a plan for the succession of Executive Directors.

### 7.2 Nomination Committee

On June 28<sup>th</sup>, 2022, the Board established the Nomination Committee.

*Composition and functioning of the Nomination Committee (pursuant to Art.123-bis (2) (d) of the T.U.F.)*

The Nomination Committee comprises three independent directors: Sylvia Bartyan, Susanna Pedretti and Laura Soifer.

During the reporting period, no meetings of the Committee were held, whereas during the current fiscal year, the Committee met one time. During the meeting, the Committee appointed Sylvia Bartyan Chairman and approved its own regulation which in addition to identifying the composition and functions of each committee, govern the

procedures to convene and conduct the meetings.

*Functions of the Nomination Committee*

In compliance with Recommendation 19 of the Code, the Nomination Committee supports the Board in the following activities:

- a) self-assessment of the Board and its committees. In particular, the Committee supports the Chairman effort to ensure the adequacy and transparency of the process itself;
- b) definition of the optimal composition of the Board and its committees;
- c) identification of candidates for the office of director in the event of co-optation;
- d) eventual presentation of a list by the outgoing Board, drafted and presented in accordance with the procedures ensuring full transparency;
- e) preparation, updating and implementation of any plan for the succession of Executive Directors.

No additional functions have been assigned to the Nomination Committee.

## 8. DIRECTORS' REMUNERATION - REMUNERATION COMMITTEE

### 8.1 Directors' remuneration

The total directors' remuneration was fixed by the Shareholders' Meeting which has approved a gross annual remuneration of Euro 1,200,000 for the period 2021-2023.

#### *Remuneration policy*

On September 22<sup>nd</sup>, 2020, the Board of Directors reviewed a Remuneration policy proposal for executive directors, non-executive directors and key managers. The remuneration policy was later approved by the Shareholders' Meeting on October 28<sup>th</sup>, 2020.

A significant portion of the total remuneration of executive directors and key managers – balanced compared to the fixed portion - is related to the financial results achieved by the Issuer and the achievement of predetermined goals. The variable portion is balanced in percentage terms to the fixed component and has a cap. By suggesting the variable component, the Board of Directors considered that the fixed component has be sufficient for the office of each director and key managers if the variable component will not be paid due to failure to achieve the predetermined goals.

The performance goals are predetermined, and they are modified over the years according to the Group's growth objectives and following the proposal of the Remuneration Committee. The full variable component is paid off after the approval of the financial statements by the Board of Directors considering the delay as a consistent time frame with the business characteristics and the related risk profiles.

The share-based remuneration plan is not based on specific, predetermined and measurable goals but it has a direct relation to the creation of value for the shareholders in the medium/long term.

On May 10<sup>th</sup>, 2021, the Board of Directors approved the Remuneration Policy, later approved by the Shareholders' Meeting of June 15<sup>th</sup>, 2021. The Remuneration Policy was revised to better align with the Corporate Governance Code (January 2020) that the Company has adopted starting July 1<sup>st</sup>, 2021 following a Remuneration Committee proposal. The Remuneration Policy seeks to enhance personnel motivation and their will to undertake responsibilities for performance excellence, granting that the fixed component and the variable component are adequately balanced and defining a balance between short-term and medium/long-term objectives in order to align Executive Directors' and key managers' interests with value creation, shareholders' primary objective in a medium/long-term perspective and the Group's activities sustainability. The policy eliminated the Board of Directors' possibility to assign extraordinary one-off bonuses and introduced a medium/long term variable component from the fiscal year at June 30<sup>th</sup>, 2021 to June 30<sup>th</sup>, 2027, the beneficiaries of which are both executive directors and some identified professional figures within the Group.

The medium/long term objective provides for the recognition of an Operating Margin ("EBIT") growth-related monetary incentive ("LTI Objective") to the beneficiaries of the plan. The payment periods of the LTI Objective are two-year for the first two tranches and three-year for the third incentive. The incentives shall be paid within 45 days of the Shareholders' Meeting approval of the financial statements at June 30<sup>th</sup>, 2022 for the first tranche, June 30<sup>th</sup>, 2024 for the second and June 30<sup>th</sup>, 2027 for the last period.

The LTI objective is determined as a percentage of the Group's consolidated EBIT in the periods reduced of an amount

of Euro 17,500 thousand per year. The LTI Objective is distributed among the beneficiaries according to their participation percentages in the program. The percentage increases over time from 6% in the first period, to 9% in the second, to 12% in the last, however, the LTI Objective total cost cannot exceed 5% of the consolidated EBIT realized in the respective periods. The Board of Directors assessed the LTI Objective as a predetermined and measurable instrument capable of creating medium/long term value for the shareholders. The absence of cap in absolute values is mitigated by the consolidated EBIT cap.

There are contractual agreements that enable the company to request the repayment of all or part of the variable remuneration paid (or to withhold amounts subject to deferred payment) if they were calculated based on data that has proven to be clearly erroneous.

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

The Remuneration Policy was subjected to benchmarking by the Remuneration Committee assisted by an independent expert (Carter & Benson).

The activity was carried out to compare the remuneration levels of the four Executive Directors, both in terms of the evaluation of remuneration in absolute values and in terms of pay mix, with respect to a panel of comparable companies. Refer to the Remuneration Policy available on the Company's website in the Governance/Remuneration section for further details.

#### ***Remuneration of executive directors and key managers***

About the remuneration of executive directors and key managers, reference should be made to the relevant sections of the Remuneration Report published in terms of Art. 123-ter of the T.U.F. and available in the Governance/Remuneration section of the Company website.

#### ***Share-based remuneration plans***

On January 11<sup>th</sup>, 2017, the Shareholders' Meeting approved the "2016-2026 Stock Option Plan" dedicated to a limited number of Group directors and managers indicated by the Board of Directors. The integration of the Remuneration Policy in place with a stock option plan constitutes a further valid effective tool to attract, retain and motivate the persons with the appropriate professional skills to successfully manage the Company and create medium/long-term value for its stakeholders. On the one hand, the assignment of options to the Executive Directors strengthens the medium/long term objectives and could prove to be a decisive and effective tool of recruitment, if in the future, executive directors were to be appointed out with the historical shareholding structure. The stock options plan represents an effective driver for the convergence of the Directors' interests and the creation of medium/long term value for all stakeholders. On the other hand, the assignment of options to directors with strategic responsibilities aims at expanding the shareholding to the management allowing them to participate in the fruits of this development, and to provide the corporate structure with the internal stability necessary to successfully overcome difficulties of a market that is in constant, unstoppable and rapid evolution both in terms of technology and of competition.

The options assigned under the 2016-2026 Stock Option Plan have an average vesting period of minimum three years. Executive Directors beneficiaries are required to hold, until the end of their mandate with respect to each vesting period,

a number of shares equal to at least 20% of the shares subscribed upon the exercise of their options.

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

The remuneration of non-executive directors is not related to the Company's financial results and its adequate to the competence, professionalism and commitment required by their role within the Board and its committees. Non-executive directors are not awarded of any share-based incentive plans. The remuneration of non-executive directors is determined as a fixed amount at the time of the Board resolution that fixes their remuneration.

### ***Accrual and disbursement of remuneration***

The Remuneration Committee verifies on an annual basis the achievement of the performance objectives, for the purposes of accrual and disbursement of the variable remuneration components of Executive Directors and of Directors with strategic responsibilities. Subject to verification of the achievement of the objectives, the short-term variable component (MBO) is paid annually after the Board approval of the draft financial statements, while the medium / long-term variable component (LTI) is paid within forty-five days from the date of approval by the Shareholders' Meeting of the financial statements for the last fiscal year.

### ***Directors' indemnities in case of resignation, dismissal or departure as a result of a takeover bid (pursuant to Art. 123-bis (1) (i) of the T.U.F.)***

No agreements have been provided for indemnities payable to the Directors in case of resignation, dismissal or recession without cause, or following a public takeover bid.

## **8.2 Remuneration Committee**

### ***Composition and functioning of the Remuneration Committee (pursuant to Art. 123-bis (2) (d) of the T.U.F.)***

Following the renewal of the Board on October 28<sup>th</sup>, 2020, and the decision of the Board to reserve the tasks of the Nomination Committee to the Board itself, the Remuneration Committee was set up consisting of three independent directors: Sylvia Bartyan, Susanna Pedretti (Chairman) and Laura Soifer.

The Board of Directors analyzed that the Director Susanna Pedretti has an expertise in the remuneration policies thanks to her long-term professional experience.

During the reporting period, the Committee met three times with an average duration of one hour with the participation of all members and of the Board of Statutory Auditors at two of the three meetings held. The Executive Directors did not participate in the meetings of the Remuneration Committee when the proposals on their remuneration were made.

The meetings were minuted, and the Chairman of the Committee reported immediately to the following Board of Directors' meeting.

The Committee has already held one meeting in the current fiscal year.

### ***Functions of the Remuneration Committee***

In accordance with the Corporate Governance Code previously adopted and the Code, the Remuneration Committee is in charge of:

- a) submitting proposals to the Board of Directors regarding the remuneration policy for Directors and key managers, in accordance with the provisions in force, periodically assessing the adequacy, overall consistency and concrete application of the policy adopted based on the information provided by the Chief Executive Officers;
- b) submit proposals or express opinions to the Board of Directors on the remuneration of Executive Directors and on the performance objectives related to the component variable remuneration, and monitoring the application of the decisions adopted by the Council itself and verifying the achievement of the aforementioned objectives;
- c) reviewing the Remuneration Report;
- d) carry out any additional tasks within its scope of competence assigned to it by the Board of Directors.

No additional functions have been assigned to the Remuneration Committee.

The existence of this Committee enables the most transparent information process about the remuneration granted to the Chief Executive Officers and senior executives and the methods for assessing such remuneration. In accordance with the Art. 2389 (3) of the Civil Code, the remuneration committee has an advisory role and the final decision to assign the remuneration of directors remains, in any event, of the Board of Directors, having received the opinion of the Board of Statutory Auditors.

The Company has approved rules and procedures for the operation of the Committee. Under these rules and procedures, the committee meets at least twice a year and always before the Board of Directors' meeting called to approve the remuneration of Directors with particular responsibilities.

During the reporting period, the Committee examined:

- the achievement of the performance objectives for the year ended June 30<sup>th</sup>, 2021;
- the management incentive plans and set the performance objectives related to variable component for the fiscal 2022;
- the overall consistency of the Remuneration Policy at a Group level for the purposes of the Remuneration Report.

In the performance of its duties, the Remuneration Committee could access all the Company information necessary to finalize its work. External consultants, Carter & Benson, assisted the Committee in the setting of the medium/long term objective for the executive directors and key managers, approved by the shareholders meeting of June 15<sup>th</sup>, 2021. The Committee preliminarily assessed the independence of the consultants used..

No additional functions have been assigned to the Remuneration Committee, except for the functions of the Nomination Committee before its actual establishment.

The Board of Directors provides the Committee with the resources required to perform its functions, upon request.

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

## 9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL AND RISK COMMITTEE

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

- a) the Board of Directors, which: provides the guidelines for the internal control system (in order that the main risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored) and periodically assesses the adequacy and effective functioning. The Board determines the nature and level of risk consistent with strategic objectives when preparing medium/long-term plans and approves the internal audit plan annually after the consulting with the Board of Statutory Auditors and the Executive Director in charge of the internal control and risk management system;
- b) the Chief Executive Officer, who is responsible for implementing the guidelines established by the Board of Directors and for identifying the main Group risks, with support of the Executive Director in charge of the internal control and risk management system;
- c) the Executive Director responsible for the internal control and risk management system, who monitors that the internal control system remains adequate, fully operational and functional and, if necessary, suggests the adoption of all measures for reducing operational and financial risks and renders company procedures more efficient and effective;
- d) the Control and Risk Committee, which has an advisory role, including *inter alia* assessment of the proper use of accounting policies and their adequacy for the preparation of the consolidated financial statements;
- e) the Head of internal audit, who in coordination with the Control and Risk Committee, provides risk-monitoring activities, prepares a work plan and reports the main internal audit findings to the Control and Risk Committee and the Executive Director responsible for internal control.

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

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

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

and after approval to the Group's organisational structures.

The purpose of the internal control manual is to provide the Directors and/or key employees and/or employees in charge of lines of business with the procedures considered essential by the Board of Directors to meet internal control and risk management requirements.

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

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

*Main features of the Internal Control and Risk Management System relating to the financial reporting process in terms of Art. 123-bis(2)(b) of the T.U.F.*

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

In order to design, implement, monitor and update the Internal Control System in relation to the financial reporting process, also in accordance with applicable regulations, the Issuer has applied the following Guidelines:

- 1) Identification of processes involving balance sheet, profit and loss and financial information;
- 2) Identification and assessment of risks;
- 3) Identification of controls to match the identified risks and its periodical monitoring;
- 4) Assessment of controls applied in relation to risks identified.

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

Risk identification is an ongoing process that involves the Board of Directors together with first organisational structures in coordination meetings that are held periodically throughout the year. Their work is summarised in a risk matrix that is prepared and regularly reviewed by the Executive Director responsible for internal control who attends the meetings. Each risk is reported with a description of the risk, the gross risk rating assessment based on a probability/impact matrix, the mitigating factors and/or the procedures implemented to reduce and monitor the risk, with the final assessment of a net risk rating. The Executive Director responsible for internal control submits this risk identification and assessment work to the analysis by the Control and Risk Committee.

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

The two Chief Executive Officers and the Executive Director responsible for internal control jointly assessed the completeness of the risk matrix and the allocation of The Board of Directors provides the Committee with the resources required to perform its functions, upon request the net risk rating. The Board of Statutory Auditors supervises the risk assessment process. The risks with a high net rating, both of an operational nature and relating to financial reporting, are reported in a specific section of the consolidated financial statements.

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

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

#### *Roles and functions involved*

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

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

The common ERP platform also enables:

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

Even though the information is available at any time, quarterly reports still must be sent by the relevant individuals from each company.

The Group's short-term planning and control processes provide for a timetable of activities on a quarterly basis and are

prepared through a structured system of coordination meetings attended by the Chief Executive Officers but also by individual heads of operating segments and/or functions. Progress with plans during the quarter is monitored on an ongoing basis through business intelligence systems and at least one coordination meeting per quarter.

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

Short-term planning and related variance analysis are submitted for the attention and approval of the Board of Directors on a quarterly basis. This occurs every six months for medium-/long-term planning and related variance analysis.

On September 27<sup>th</sup>, 2021, the Board of Directors assessed the Internal Control and Risk Management System and concluded it was appropriate and effective with regard to the characteristics of the business and the related risk profile. This assessment was performed with assistance of the Control and Risk Committee which, during its meetings, was able to perform ongoing checks on the correct functioning and effectiveness of the internal control system.

### **9.1 Chief Executive Officer**

As reported in Section 4.6, the Group has not appointed a Chief Executive Officers as recommended by the Code. Therefore, the Company has maintained the Director in charge of the internal control and risk management system, identified with the Chief Financial Officer. Refer to Section 9.3.1. for further details about the functions performed by the CFO as the Director in charge of the internal control and risk management system.

### **9.2 Control and Risks Committee**

*Composition and functioning of the Control and Risk Committee (pursuant to Art. 123-bis (2) (d) of the T.U.F.)*

Following the renewal of the Board on October 28<sup>th</sup>, 2020, the Control and Risks Committee was set up consisting of three independent directors: Sylvia Bartyan, Susanna Pedretti and Laura Soifer (Chairman).

The Board identified Laura Soifer as a director with experience in accounting and finance. Pursuant to the Art. 7.P.4 of the Corporate Governance Code previously adopted and in line with Recommendation 35 of the Code.

The Committee was entirely made up by Independent Directors both in its first and second composition.

During the reporting period, the Committee met two times with an average duration of 1 hour and 45 minutes and with the participation of all members (with the exception of Director Sylvia Bartyan, absent from one meeting) and of the Board of Statutory Auditors. The Director in charge of internal control and risk management system, Stefano Salbe, was regularly invited to attend. The Audit firm, the Supervisory Body and the Internal Audit function were also invited from time to time to participate

The meetings were minuted and the Chairman of the Committee reported immediately to the following Board of Directors' meeting.

The Committee has scheduled three meetings for the current fiscal year, one of which already held.

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

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

In accordance with the Corporate Governance Code previously adopted and the Code the Control and Risks Committee is in charge of:

- a) preliminary assistance to the Board of Directors in determining the guidelines for the internal control system and monitoring and management of key risks, compatible with strategic objectives;
- b) providing suggestions about the appointment and removal of the head of the internal audit, as well as on the reasonableness of the remuneration;
- c) assessment, together with the financial reporting manager and the external auditors, of the accounting policies applied and their consistency for the preparation of the consolidated financial statements;
- d) upon request by the Executive Director in charge of internal control, provide opinions on specific issues regarding the identification of major business risks and the design, implementation and management of the internal control system;
- e) review the periodical reports prepared by the internal audit department;
- f) monitor the autonomy, adequacy, effectiveness and efficiency of the internal audit department;
- g) demand specific operational audit to the internal audit department, if necessary;
- h) report to the Board of Directors at least every half year, in conjunction with the approval of the annual financial statements and the half year financial report, about the activities and adequacy of the internal control and risk management system;
- i) support the Board of Directors in making assessments, decisions and preliminary survey about the management of key risks resulting from harmful events.

No additional functions have been assigned to the Committee.

During the reporting period, the Control and Risk Committee analysed the plan provided by the Executive Director in charge of Internal Control and monitored the progress. It reviewed the work plan prepared by the internal audit, monitored its status and worked with the financial reporting manager and the external auditors to assess the proper application of accounting policies and the consistency of such policies for the purposes of preparing the consolidated financial statements; it also reviewed the report of the Supervisory Board.

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

The Board of Directors provides the Committee with the resources required to perform its functions, upon request.

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

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

On November 10<sup>th</sup>, 2016, the Board of Directors, as proposed by the Executive Director in charge of Internal Control, with the preliminary approval of the Control and Risk Committee and having consulted the Board of Statutory Auditors, the Board of Directors:

- (i) appointed Pierluigi Valentino, a partner of the network BDO, as Head of the Internal Audit Department, entrusting him with ensuring that the internal control and risk management system works properly and meets requirements;

(ii) set a level of remuneration in line with company policy and ensured there were sufficient resources to conduct related activities.

(iii) approved the audit plan;

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

On March 5<sup>th</sup>, 2020, the Board renewed Pierluigi Valentino's mandate for the three-year period 2020-2022. The Head of Internal Audit is not responsible for any operational areas and reports to the Board of Directors.

In accordance with the Code, the internal audit department:

- (i) performs ongoing checks and checks in response to specific requirements, in compliance with international standards, to ensure that the internal control system is functional and fit for purpose. This is done based on an audit plan, approved by the Board of Directors, as based on a structured process involving analysis and prioritisation of the main risks;
- (ii) has direct access to all information useful for the performance of its duties;
- (iii) prepares periodical reports containing adequate information on the work performed, on the risk management process and on compliance with risk matching plans. These reports include an assessment of the Internal Control and Risk Management System's suitability for purpose;
- (iv) promptly prepares reports on particularly important events;
- (v) sends the reports under points iv) and v) to the Control and Risk Committee, to the Board of Statutory Auditors, to the Executive Director in charge of the Internal Control and Risk Management System and to the Chairman of the Board of Directors;
- (vi) based on its audit plan, assesses the reliability of the information systems, including the accounting systems.

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

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

- a) prepared the annual Audit Plan which was approved by the Board of Directors;
- b) scheduled and performed, in accordance with the Audit Plan, the direct and specific control testing on the Company and the other Group companies in order to identify any weaknesses in the internal control and risk management system. The testing was performed during the audits planned at the Company's premises;
- c) for each audit test, prepared a detailed report with the activities assessed, the subject of the testing, the operating methods adopted, the duration of the testing, the period to which the testing relates, the results obtained and recommendations made;
- d) created a register to record all audit work performed in the reporting period with details of the audit findings, recommendations and proposals made by internal audit, any corrective measures recommended in order to address system weaknesses and final conclusions about the work done and on the feedback received;

- e) attended meetings of the Control and Risk Committee, the Board of Statutory Auditors during which he described the progress of the audit work and gave a report on any issues or weaknesses identified and any corrective action taken by the Company.

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

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

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

The Director in charge of internal control:

- oversees the identification of business risks (strategic, operational, financial and compliance) taking account of the Group's activities and liaising with other company functions. He reports periodically to the Board of Directors;
- executes the guidelines issued by the Board of Directors, planning, implementing and managing the internal control system while constantly monitoring the adequacy, effectiveness and efficiency of its processes;
- adapts the internal control system to market dynamics, the transactions undertaken and legislative and regulatory changes;
- has the power to recommend the appointment or removal of the Head of the Internal Audit Department;
- promptly reports to the Board and to the Control and Risk Committee on any issues or problems emerging during the period.

### **9.4 Organisational Model pursuant to Legislative Decree 231/2001**

On March 30<sup>th</sup>, 2006, the Board of Directors approved the Code of Conduct, subsequently amended on March 8<sup>th</sup>, 2022 and June 28<sup>th</sup>, 2022 following the approval of the ESG Policy, and the Organisational Model, which was subsequently updated on May 11<sup>th</sup>, 2010, September 13<sup>th</sup>, 2016, September 12<sup>th</sup>, 2017, June 6<sup>th</sup>, 2019 and, most recently, on March 5<sup>th</sup>, 2020. On June 28<sup>th</sup>, 2022 the Board approved the latest revision of the Organizational Model.

The organisational model adopted by the Company is structured as follows:

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

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

- offences against the Public Administration;
- offences against public trust;
- corporate offences;
- terrorism and subversion of democracy;
- financial offences or market abuse;
- offences against the person;
- cross-border crime;
- tax offences;
- crimes that endanger human life and safety;
- health and safety offences;
- handling of stolen property, money laundering and the use of money, goods or profit from criminal activities;
- non-cash payments offences;
- cybercrime and unlawful data processing;
- organised crime;
- offences against industry and commerce;
- copyright offences;
- inducement not to make statements or to make false statements to the Judicial Authorities;
- environmental offences;
- use of irregular foreign workers;
- private sector corruption and instigation to commit private sector corruption;
- racism and xenophobia;
- fraud in sports competitions, illegal gambling or betting and gambling conducted by means of prohibited devices;
- contraband;
- culturale heritage offences;
- cultural heritage laundering and cultural and landscape heritage destruction and plundering.

The above documents are available in the *Governance/Model pursuant to Legislative Decree 231/01* section of the Company website [www.digitalbros.com](http://www.digitalbros.com).

On November 8<sup>th</sup>, 2018, the Board decided to assign the functions of the Supervisory Body to an external professional, Francesco Lamperti, after the assessment of the necessary requirements of autonomy, independence, professionalism and continuity of action for the effective performance of the functions reserved for the supervisory body itself, reserving further evaluation in the future. During the year, the Board, after having assessed the existence of the above requirements, on March 9<sup>th</sup>, 2021, the Board renewed the mandate of Francesco Lamperti for the entire three-year period in which the current Board of Statutory Auditors will remain in office and therefore until the approval of the financial statements at June 30<sup>th</sup>, 2023.

During the reporting period, the Supervisory Board analyzed sensitive activities and current business models, as reflected in the organizational model approved by the Board on June 28<sup>th</sup>, 2022. The Supervisory Board performed a

series of test activities in relation to workplace health and safety with particular reference to the measures adopted by the Company to contain and manage the COVID-19 pandemic; such measures were adopted in response to the national and regional orders introduced since the beginning of March 2020. The Supervisory Board also observed the training activities carried out on the administrative liability of entities in favor of the Company's employees and reviewed the Company's relationship with the public administration.

### **9.5 External auditor**

E.Y. S.p.A. was appointed as external auditor by the Ordinary Shareholders' Meeting held on October 27<sup>th</sup>, 2021 for the reporting periods up until approval of the financial statements at June 30<sup>th</sup>, 2023. On October 6<sup>th</sup>, 2021, the Board of Directors reviewed the report delivered to the Board of Statutory Auditors by Deloitte & Touche S.p.A., the external auditor in office at the time.

### **9.6 Financial Reporting Manager**

On August 7<sup>th</sup>, 2007, the Board of Directors, with the approval of the Board of Statutory Auditors, appointed Stefano Salbe, Chief Financial Officer of Digital Bros S.p.A., as the Financial Reporting Manager and granted him appropriate powers and resources to perform the duties assigned to him under the applicable laws and regulations.

The Financial Reporting Manager has the necessary expertise of administration, finance and control matters. He performs the functions required by Art. 154-bis of the T.U.F..

Pursuant to Art. 24 of the Articles of Association, the Board of Directors grants the Financial Reporting Manager appropriate powers and resources to perform the duties assigned to him under applicable laws and regulations.

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

The Financial Reporting Manager is subject to regulations on the liability of directors in respect of the duties assigned to them, without prejudice to legal action that may be taken regarding the employment relationship with the Company. In particular, the Board of Directors has granted the Financial Reporting Manager all the necessary powers in terms of the Art. 154 bis of Legislative Decree 58 of 24/2/1998, as introduced by the Art. 14 (1) of Decree Law no 262.

The following, non-exhaustive list contains some of these powers:

- a) to introduce appropriate administrative and accounting procedures at the parent company and all Italian and international subsidiaries;
- b) to hire employees to assign to specific activities and determine their remuneration in accordance with Group policy and the power to dismiss such employees;
- c) to hire (and dismiss) Italian and international professionals to perform specific assignments and to establish the duration and remuneration of such assignments;
- d) to purchase, directly or under finance leases, the assets and software required to perform financial reporting and related procedures;
- e) all necessary powers, including spending powers, for the proper execution of the duties assigned.

There are no other company roles or departments with specific internal control duties due to the limited size and complexity of the Group.

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

In accordance with the Principle XX of the Corporate Governance Code and in compliance with best practices for listed companies, the Company has established methods of coordination between the various functions involved in the internal control and risk management system. Regular meetings are held in joint session between the various functions responsible for internal control and risk management (the Executive Director in charge of Internal Control, the Control and Risk Committee, the Board of Statutory Auditors, the Supervisory Board and the Internal Audit) with the purpose of identifying areas of intervention and analysis relevant to each function. This process facilitates the identification of any overlap and/or duplications of activities and helps to implement a compliance system within the Company and the Group. The entire Board of Statutory Auditors – or, at least, its Chairman or another statutory auditor designated by him - attends meetings of the Control and Risk Committee in accordance with Recommendation 37 of the Code. The external auditors meet at least every six months in joint session with the Control and Risk Committee, the Board of Statutory Auditors and the Financial Reporting Manager with the purpose, *inter alia*, of assessing the correct use of accounting standards and their consistency for the purposes of preparation of the consolidated financial statements.

## 10. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The Board of Directors shall review and approve any related parties transaction entered into by Group companies. On November 11<sup>th</sup>, 2010, the Board of Directors approved a procedure for related parties transactions to reflect the amendments introduced by Consob resolution 17221 of March 12<sup>th</sup>, 2010. General criteria for the identification of significant related parties transactions were established. The procedure is available in the Governance/Documents and Procedures section of the Company's website at [www.digitalbros.com](http://www.digitalbros.com) in its most recent version, approved by the Board on June 29<sup>th</sup>, 2021.

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

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

In particular, for a specific related party transactions the director who has an interest, including a potential or indirect one, in the transaction must inform the other directors and the Board of Statutory Auditors of all of his interests in that transaction, whether on their own account or on account of third parties; he shall also specify the nature, terms, origin and extent of such interests. Such interests may be communicated by any means, including verbally, during meetings of the Board of Directors, or in writing to the Chairman of the Board of Statutory Auditors, with an obligation to report thereon during the following meeting of the Board of Directors. For the definition of “*related parties*”, express reference is made to the parties defined as such by the international accounting standard on the disclosures regarding related parties transactions, as adopted according to the procedure laid down by Art. 6 of Regulation (EC) No. 1606/2002 (IAS 24). When the Board of Directors identifies a relationship with one of the directors or with a related party through a director, it quickly requests clarification of the existence of an interest, including a potential or indirect interest. When it is time for the Board to resolve on the related parties transaction, the Director with the direct or indirect interest shall leave the meeting.

On October 28<sup>th</sup>, 2020, the Board of Directors assigned the functions previously performed by the Related Parties Committee, to the Control and Risks Committee convened only if needed, considering the reduced complexity of the transactions with related parties in place. The Control and Risks Committee is comprised by the three independent directors Sylvia Bartyan, Susanna Pedretti and Laura Soifer (Chairman).

The Control and Risks Committee, in its role as Related Parties Committee, met four times during the year with an average duration of the meetings of approximately 1 hour and 30 minutes.

During the reporting period, the Control and Risks Committee, in its capacity as Related Party Transactions Committee, examined the related reports in light of the new procedure approved on June 29<sup>th</sup>, 2021. The meetings were minuted,

and the Chairman of the Committee reported immediately to the following Board of Directors' meeting.

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

## **11. BOARD OF STATUTORY AUDITORS**

### **11.1 Appointment and replacement of Statutory Auditors**

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

The Board of Statutory Auditors is composed of three auditors and two alternate auditors who remain in office for three fiscal years and may be re-elected. Applicable regulations are followed when determining their remuneration and term of office. Minority interests are entitled to elect one acting auditor and one alternate auditor.

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

Candidate lists, signed by the shareholders submitting them, must be filed in accordance with the deadlines and methods laid down by the applicable Law. Only shareholders who, separately or together with other shareholders, represent a percentage of voting rights of not less than that required by the relevant laws or regulations in force at the time of the appointment may submit lists. This percentage interest is determined regarding the shares registered to the shareholder on the day on which the lists are submitted to the Company. For the most recent renewal of the Issuer's corporate bodies, the quorum required by Art. 147-ter of the T.U.F. was 4.5% as indicated by Consob determination no. 35 of July 16<sup>th</sup>, 2020.

Ownership of such interests may also be attested after submitting a list, if it is done by the deadline for publication of the lists by the Company.

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

Candidates subject to reasons for ineligibility or disqualification as set out in laws or regulations, or who do not meet the necessary requirements, including those pertaining to concurrent positions held, may not be included in lists. Individual candidates shall file statements accepting their candidacy and certifying, under their own responsibility, that they are not subject to any reasons for ineligibility or incompatibility and that they meet the requirements established by the Law and the Articles of Association, in addition to a list of any positions held in other companies, by the deadline above. Certification must be issued by an authorised broker attesting the ownership of the number of shares required to submit a list. Such certification must be submitted by the deadline and according to conditions established by law.

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

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

Statutory auditors are elected as follows:

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

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

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

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

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

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

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

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

In performance of their duties, the statutory auditors may, individually or collectively, ask the Directors for clarification about the information given to them and, more generally, about the status of company operations or specific transactions. They may also perform inspections and audits at any time. The Board of Statutory Auditors and external auditors exchange information relevant to perform their respective duties. The Board of Statutory Auditors should meet at least every 90 days.

The members of the Board of Statutory Auditors certified that they met the independence requirements established by the Code when the lists were submitted and when they accept the office.

The Statutory Auditors shall provide timely information about transactions in which they have an interest, on their own account or for third parties.

The Company is not subject to additional legislation other than the T.U.F. with regard to the composition of the Board of Statutory Auditors.

### **11.2 Composition and functioning of the Board of Statutory Auditors (pursuant to Art.123-bis, (2) (d) (d-bis) of the T.U.F.)**

At June 30<sup>th</sup>, 2022, the Board of Statutory Auditors is made by five members. It was appointed by the Shareholders' Meeting of October 28<sup>th</sup>, 2020 and will remain in office until the approval of the financial statements at June 30<sup>th</sup>, 2023. A single list was submitted to the Shareholders' Meeting by Abramo Galante and Raffaele Galante representing at the date 65.31% (9,313,548 shares) of the share capital. The list of candidates was as follows:

<b>Name and last name</b>	<b>Office</b>
Carlo Hassan	Statutory Auditor (Chairman)
Maria Pia Maspes	Statutory Auditor
Gianfranco Corrao	Statutory Auditor
Daniela Delfrate	Substitute Statutory Auditor
Stefano Spiniello	Substitute Statutory Auditor

The candidates were elected by 99,97% of the voting capital.

During the year ended June 30<sup>th</sup>, 2022, the Board of Statutory Auditors was held eight times, with average duration of two hours. All members of the Board attended the meetings. The Board of Statutory Auditors scheduled eight meetings for the current fiscal year, three of which already held.

Refer to the Section 17 – Summary Tables for further information about the composition of the Board of Statutory Auditors and each member's participation at meetings thereof.

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

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

#### **Gianfranco Corrao**

Born in Catanzaro (Italy) on October 16<sup>th</sup>, 1964. Italian.

Chartered Accountant registered in Section A of the Register of Chartered Accountants and Accounting Experts of Milan registration no. 2567, since July 27<sup>th</sup>, 1989. Registered Auditor.

Key appointments: Amalfitana Gas S.r.L. (Statutory Auditor), Darag Italia SPA \* (Statutory Auditor) – Girasole S.p.A. (Statutory Auditor) - Plenitude S.p.A. (Statutory Auditor) - Savino & Partners STP S.r.l. (Director).— Società Agricola Teramana S.p.A. (Director) – Spindox SPA \* (Statutory Auditor).

**Carlo Hassan**

Born in Tripoli (Libya) on March 18<sup>th</sup>, 1954. Italian.

Chartered Accountant registered in Section A of the Register of Chartered Accountants and Accounting Experts of Milan registration no. 1203, since September 12<sup>th</sup>, 1979. Registered Auditor.

Key appointments: 505 Games S.p.A. (Statutory Auditor) - BIM Fiduciaria S.p.A. \* (Statutory Auditor) - Capuzzo S.p.a (Chairman of the Board of Statutory Auditors) – Club Fruit S.p.A. (Statutory Auditor) – Deoflor S.p.A. (Statutory Auditor) - Estee Lauder S.r.l. \* (Statutory Auditor) – Etro S.p.A. \* (Statutory Auditor) - Henry Schein Krugg S.r.l (Statutory Auditor) - , Henry Schein S.r.l. \* (Statutory Auditor) – Isno3 S.p.A. in liquidation (Sole Auditor) - Lazard S.r.l (Statutory Auditor) - Prelios Agency S.p.A. (Statutory Auditor) – Saif S.p.A. (Chairman of the Board of Statutory Auditors) - , Vitale & Co.Holding S.p.a (Chairman of the Board of Statutory Auditors), Westfield S.p.A \* (Statutory Auditor) - Westfield M- Services S.r.l. (Statutory Auditor). , .

**Maria Pia Maspes**

Born in Sondrio (Italy) on April 28<sup>th</sup>, 1970, Italian.

Chartered Accountant registered in Section A of the Register of Chartered Accountants and Accounting Experts of Milan registration no. 4565, since February 19<sup>th</sup>, 1996, Registered Auditor.

Key appointments: 505 Games S.p.A. (Statutory Auditor) – Alto Partners SGR S.p.A. \* (Statutory Auditor) – Cairo Communication S.p.A. \* (Statutory Auditor) - Cairo Editore S.p.A. (Statutory Auditor) – Cairo RCS Media S.p.A. (Statutory Auditor) – Equita Investimenti S.p.A. (Statutory Auditor) – Immobiliare Molgora S.p.A. (Chairman of the Board of Statutory Auditors) - Kelly Services S.p.A. (Statutory Auditor) - LA7 S.p.a.(Statutory Auditor) – Nicla S.r.l. (Statutory Auditor) Previdenza Cooperativa (Statutory Auditor) – RCS Multimedia S.p.A. \* (Statutory Auditor) - RCS Sport S.p.A. (Statutory Auditor) - – Torino FC S.p.A. (Statutory Auditor) – - UT Communications Spa\* (Statutory Auditor).

The companies marked with an asterisk (\*) in the above list are companies listed on regulated markets in Italy or abroad and finance, banking or insurance companies, or companies of significant size that are not part of the Issuer's Group.

In compliance with Principle VIII, the composition of the Board of Statutory Auditors is adequate to ensure the independence and professionalism of its function. The members of the Board are independent both in compliance of the provisions of the T.U.F. and the Code. In terms of professionalism, all statutory auditors have proven experience in the field of accounting and tax consultancy for primary, listed and regulated companies. All components of the Board of Statutory Auditors are register in the register of auditors and possess the requisites of professionalism indicated by the Q.1.2 standard “Composition of the Board of Statutory Auditors” of the National Council of Chartered Accountants and Accounting Experts’ Rules of conduct of the Board of Statutory Auditors of listed companies.

***Diversity criteria and policies in the composition of the Board of Statutory Auditors***

The Group has not adopted a dedicated diversity policy for the composition of the control bodies. The Group has adopted the diversity criteria required by Law 120/2011, by the T.U.F., by Consob Resolution no 18098/2012 and by the Code, as described in the Section 4.3 - Diversity criteria and policies in the composition of the Board and within the Group of the Report. Lists presenting a number of candidates equal to or greater than three must be composed of

candidates belonging to both genders, so that a number (rounded up) of candidates at least equal to the less represented gender meet the gender percentage prescribed by the pro tempore Law. As of June 30<sup>th</sup>, 2022, the Board of Statutory Auditors comprised three statutory auditors (two males and one female) and two substitute statutory auditors (one male and one female).

The Company has identified other diversity criteria for composition of the Board of Statutory Auditors: besides gender, the age and the educational and professional background of Statutory Auditors is taken into consideration. Although the age of the Statutory Auditors does not differ substantially, they present different yet complementary educational and professional backgrounds. The current composition of the Board of Statutory Auditors

it also ensures an adequate level of diversity also in terms of seniority in office, as reported in Section 17 ensuring an adequate level diversity also in terms of seniority of office, as reported in Section 17 - Table 4.

### ***Independence***

The Board of Directors predefined the quantitative and qualitative criteria to evaluate the significance of the relevant circumstances pursuant to the Code and for the purposes of assessing the independence of the members of the Board of Statutory Auditors. The Board of Statutory Auditors verified that its members did not exceed the limit of five offices as director or auditor in companies listed in Italy or abroad, in financial, banking, insurance companies or in companies of a significant size not belonging to the Issuer's Group.

the Board of Statutory Auditors verified the independence requirements between its members after their initial appointment, in compliance with Art. 148, (3) of the T.U.F. and the Corporate Governance Code previously adopted. e Board of Statutory Auditors unanimously concluded that all its members possessed the independence, integrity and professionalism requisites required by the Law. The Board of Statutory Auditors submitted the results of the assessment to the Board of Directors

The Board of Statutory Auditors assesses at least once a year and at the occurrence of any relevant circumstance, the continuation of the independence requirements of the members of the Board of Statutory Auditors.

During the period, on December 15<sup>th</sup>, 2021 the Board of Statutory Auditors verified the independence requirements of its members. This was performed based on the criteria established by the T.U.F., the Code, the quantitative criteria determined by the Board of Directors and having considered all the information made available by each Statutory Auditor. Each member of the Board is required to promptly provide any information relating to the variation in the number of professional positions held and the persistence of the requisites of professionalism, integrity and independence declared at the time of appointment. The Board of Statutory Auditors unanimously concluded that all its members were independent. The Board of Statutory Auditors submitted the results of the assessment to the Board of Directors.

### ***Remuneration***

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

### ***Management of interests***

The procedure governing related parties transactions also applies to members of the Board of Statutory Auditors.

Statutory Auditors who hold an interest, personally or on account of third parties, in a given transaction must inform the Board of Statutory Auditors and Board of Directors in a timely manner of the nature, terms, origin and extent of that interest.

## **12. SHAREHOLDERS RELATIONS**

Digital Bros S.p.A. proactively maintains a constant dialogue with the market in accordance with the laws and regulations governing the circulation of inside information.

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

To ensure a continue dialogue with investors and shareholders, the most important Company's documentation is published in Italian and in English in the Investor Relations and Governance section of the Company's website on a continuous and timely basis. All press releases issued to the market as well as quarterly and annual financial reports are available on the Company's website, as soon as they are approved by the competent corporate bodies, as is other company documentation. These include:

- a. Separate and consolidated financial statements;
- b. Half-year financial reports;
- c. Quarterly interim reports;
- d. Corporate events calendar;
- e. Corporate Governance report;
- f. Remuneration Report;
- g. Articles of Association;
- h. General Meeting regulations.

### **Shareholders Engagement**

On February 10<sup>th</sup>, 2022, the Board approved the Shareholders Engagement Policy to foster Digital Bros' transparency in respect of the financial community and markets through the establishment, maintenance and development of an active dialogue with the shareholders, promoting the alignment of all parties' interests in a sustainable success orientated framework.

The dialogue with the shareholders is managed by the Board of Directors and, on its behalf, by the Chief Executive Officers and the Chief Financial Officer, who also acts as Investor Relations Manager. The Investor Relator Manager receives and collects any requests by shareholders and analysts, retail shareholders and the media. Other members of the Board of Directors (e.g. the chairman or the member of a committee) may be involved in the dialogue with the shareholders should the topic required it.

The dialogue with the shareholders focuses on the Board of Directors (and its committees), including:

- long term sustainable success;
- environmental, social and governance issues ("ESG issues");

- economic/financial/operational performance (financial and non-financial results and targets);
- remuneration policy and its implementation;
- related parties;
- internal control and risk management system.

### **13. SHAREHOLDERS' GENERAL MEETINGS (pursuant to Art.123-bis (2) (a) second part of the T.U.F.)**

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

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

Pursuant to the Art. 10 of the Articles of Association, a General Meeting – whether Ordinary or Extraordinary - shall be convened as provided by the Law and in accordance with the terms and conditions established by applicable regulations. The notice convening the meeting must indicate the date, time and place of the meeting and shall contain a list of the matters to be discussed, as well as all additional information required by the applicable laws and regulations; it shall be published on the Company website. The Ordinary and Extraordinary General Meetings notice usually contains details convening a potential second meeting if the first is not held. The Board of Directors may convene ordinary and/or extraordinary general meetings on a single call.

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

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

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

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

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

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

No applicable rules for the amendment of the Article of Association other than those prescribed by the Law subsist.

In order to ensure the orderly, effective conduct of the shareholders' meeting and the right of all shareholders to express themselves on the matters up for discussion, Shareholders' Meeting regulations were approved on September 6<sup>th</sup>, 2000. The regulations are available on the Company website in the Governance/Documents and Procedures section.

On October 27<sup>th</sup>, 2021 an Ordinary Shareholders' Meeting was held with the presence of all the Directors, the Board of Statutory Auditors and a representative of Deloitte & Touche S.p.A., the audit firm appointed at the date of the Shareholders' Meeting.

The Board of Directors reported to the shareholders' general meeting about the recent and the scheduled business activity and ensure that the shareholders were adequately informed to be able to make informed decisions on the topics discussed during the shareholders' meeting.

No Chairman or member of the Board's committees reported to the Shareholders' General Meeting about the methods used.

During the reporting period, there were no significant changes in the composition of share capital and no amendments to the Article of Association were submitted to the Shareholders' Meeting.

#### **14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Art.123-bis (2) (a), second part of the T.U.F.)**

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

#### **15. SUBSEQUENT CHANGES**

There have been no changes since the reporting date.

## **16. COMMENTS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The recommendations contained in the December 3<sup>rd</sup>, 2021 letter from the Chairman of the Corporate Governance Committee (“**Letter**”) were brought to the attention of the Board of Directors and the Board of Statutory Auditors during the meeting held on February 10<sup>th</sup>, 2022.

About the recommendations contained in the Letter and after careful consideration, the Board:

1. approved the Shareholders Engagement Policy, available both in Italian and English on the Company’s website. Section 12 of the Report adequately summarizes the approach adopted to promote the dialogue with the Group’ shareholders;
2. assessed how the Company neither falls within the scope of the Code definitions of “Large company”, as its capitalization is below Euro 1 billion, nor within the definition of “Company with concentrated ownership”, as no there are no controlling shareholders exercising the majority of the votes in the Shareholders’ Meeting;
3. confirmed the timeliness, completeness and adequacy of the information flow to the Board of Directors. Confidentiality requirements were also satisfied. In the Report, the Company has already reported the terms considered reasonable and compliance with said terms during the reporting period;
4. approved the ESG Policy, which aims at integrating, where possible, specific and formalized ESG objectives into part of the variable remuneration of the Executive Directors and other key managers of the Group;
5. established the Nomination Committee in view of the renewal of the corporate bodies whose mandate will expire on June 30<sup>th</sup>, 2023.

## **17. SUMMARY TABLES**

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

**TABLE 2: BOARD OF DIRECTORS AS OF JUNE 30<sup>TH</sup>, 2022**

<b>BOARD OF DIRECTORS</b>													
<b>Office</b>	<b>Member</b>	<b>Year of birth</b>	<b>Date of first appoint.(*)</b>	<b>In office since</b>	<b>In office until</b>	<b>List presented by (**)</b>	<b>List (M/m) (***)</b>	<b>Exec.</b>	<b>Non Exec.</b>	<b>Indip. by Code</b>	<b>Indip. by T.U.F.</b>	<b>No. others appoint. (****)</b>	<b>BoD Participation (*****)</b>
Director	Bartyan Sylvia	1975	2020	28/10/2020	Approval FY23 FS	Shareholders	M		X	X	X	3	9/10
Director	Florean Lidia	1951	2014	28/10/2020	Approval FY23 FS	Shareholders	M		X			-	5/10
Chairman and CEO	Galante Abramo	1963	1991	28/10/2020	Approval FY23 FS	Shareholders	M	X				-	10/10
Director	Galante Davide	1933	1991	28/10/2020	Approval FY23 FS	Shareholders	M		X			-	8/10
CEO	Galante Raffaele	1965	1991	28/10/2020	Approval FY23 FS	Shareholders	M	X				-	10/10
Director	Pedretti Susanna	1977	2019	28/10/2020	Approval FY23 FS	Shareholders	M		X	X	X	3	10/10
Director •	Salbe Stefano	1965	2005	28/10/2020	Approval FY23 FS	Shareholders	M	X				-	10/10
Director ○	Soifer Laura	1974	2020	28/10/2020	Approval FY23 FS	Shareholders	M		X	X	X	2	10/10
Director	Treves Dario	1968	2000	28/10/2020	Approval FY23 FS	Shareholders	M	X				-	10/10
<b>DIRECTORS WHO LEFT THE OFFICE DURING THE REPORTING PERIOD</b>													
<b>No. of meetings held during the reporting period: 10</b>													
<b>Quorum required for presentation of lists by minorities for the election of one or more members (Art. 147-ter T.U.F.): 4,5% (Determination no.35 of 16/07/2020)</b>													

## NOTES

- This symbol indicates the Director in charge of the internal control and risk management system

- This symbol indicates the Lead Independent Director (LID).

(\*) This column indicates the year during which the Director was elected for the first time in the Board of the Company.

(\*\*) This column contains either “Shareholders” or “BoD” whether the Director was elected from a list submitted by the shareholders or the outgoing Board of Directors

(\*\*\*) This column contains either “M” or “m” whether the Director was elected from the majority or the minority list

(\*\*\*\*) This column contains the number of positions held as a Director or Statutory Auditor in other listed or large companies. For the full list of refer to Section 4 and Section 11 of the Report.

(\*\*\*\*\*) This column indicates the Directors’ attendance at the meetings of the Board of Directors (No. of meeting attended/no. of meetings held).

**TABLE 3: BOARD OF DIRECTORS' COMMITTEES AS OF JUNE 30<sup>TH</sup>, 2022**

<b><u>B.o.D.</u></b>		<b><u>Executive Committee</u></b>		<b><u>Related Parties Committee</u></b>		<b><u>Control and Risks Committee</u></b>		<b><u>Remuneration Committee</u></b>		<b><u>Nomination Committee</u></b>		<b><u>Other Committee</u></b>	
<b>Office</b>	<b>Member</b>	<b>(*)</b>	<b>(**)</b>	<b>(*)</b>	<b>(**)</b>	<b>(*)</b>	<b>(**)</b>	<b>(*)</b>	<b>(**)</b>	<b>(*)</b>	<b>(**)</b>	<b>(*)</b>	<b>(**)</b>
Chairman and CEO	Galante Abramo												
CEO	Galante Raffaele												
Executive Director	Salbe Stefano												
Executive Director	Treves Dario												
Independent Director (by Code and T.U.F.)	Bartyan Sylvia Anna					1/2	M	3/3	M	0/0	M		
Independent Director (by Code and T.U.F.)	Pedretti Susanna					2/2	M	3/3	C	0/0	M		
Independent Director (by Code and T.U.F.)	Soifer Laura					2/2	C	3/3	M	0/0	M		
<b>DIRECTORS WHO LEFT OFFICE DURING THE REPORTING PERIOD</b>													
<b>MEMBERS WHO ARE NOT DIRECTORS</b>													
<b>No of meetings held during the reporting period:</b>						2		3		0			

## NOTES

(\*) This column indicates the Directors' attendance at the meetings of the Committees (No. of meeting attended/no. of meetings held)

(\*\*) This column contains either "C" or "M" whether the Director is the Chairman or a member of the Committee

**TABLE 4: BOARD OF STATUTORY AUDITORS AS OF JUNE 30<sup>TH</sup>, 2022**

<b>BOARD OF STATUTORY AUDITORS</b>									
<b>Office</b>	<b>Member</b>	<b>Year of birth</b>	<b>Date of first appoint. (*)</b>	<b>In office since</b>	<b>In office until</b>	<b>List (M/m) (**)</b>	<b>Indip. By Code</b>	<b>Board participation (***)</b>	<b>No. other offices (****)</b>
Chairman	Hassan Carlo	1954	2020	28/10/2020	Approval FY23 FS	M	YES	8/8	5
Statutory Auditor	Corrao Gianfranco	1964	2020	28/10/2020	Approval FY23 FS	M	YES	8/8	2
Statutory Auditor	Maspes Maria Pia	1970	2017	28/10/2020	Approval FY23 FS	M	YES	8/8	3
Substitute Statutory Auditor	Delfrate Daniela	1965	2017	28/10/2020	Approval FY23 FS	M	YES	-	-
Substitute Statutory Auditor	Spiniello Stefano	1985	2020	28/10/2020	Approval FY23 FS	M	YES	-	-
<b>STATUTORY AUDITORS WHO LEFT OFFICE DURING THE REPORTING PERIOD</b>									
<b>No. of meetings held during the reporting period: 8</b>									
<b>Quorum required for presentation of lists by minorities for the election of one or more members (Art. 147-ter T.U.F.): 4,5% (Determination no.35 of 16/07/2020)</b>									

**NOTES**

(\*) This column indicates the year during which the Statutory Auditor was elected for the first time in the Board of the Company.

(\*\*) This column contains either “M” or “m” whether the Statutory Auditor was elected from the majority or the minority list.

(\*\*\*) This column indicates the Statutory Auditors’ attendance at the meetings of the Board of Statutory Auditors (No. of meeting attended/no. of meetings held).

(\*\*\*\*) This column contains the number of positions held as a Director or Statutory Auditor in other companies pursuant to Art.148-bis of the T.U.F. and the related provision of Consob Issuers’ Regulation. The full list is published by Consob on its website pursuant to Art.144-quinquiesdecies of Consob Issuers’ Regulation.